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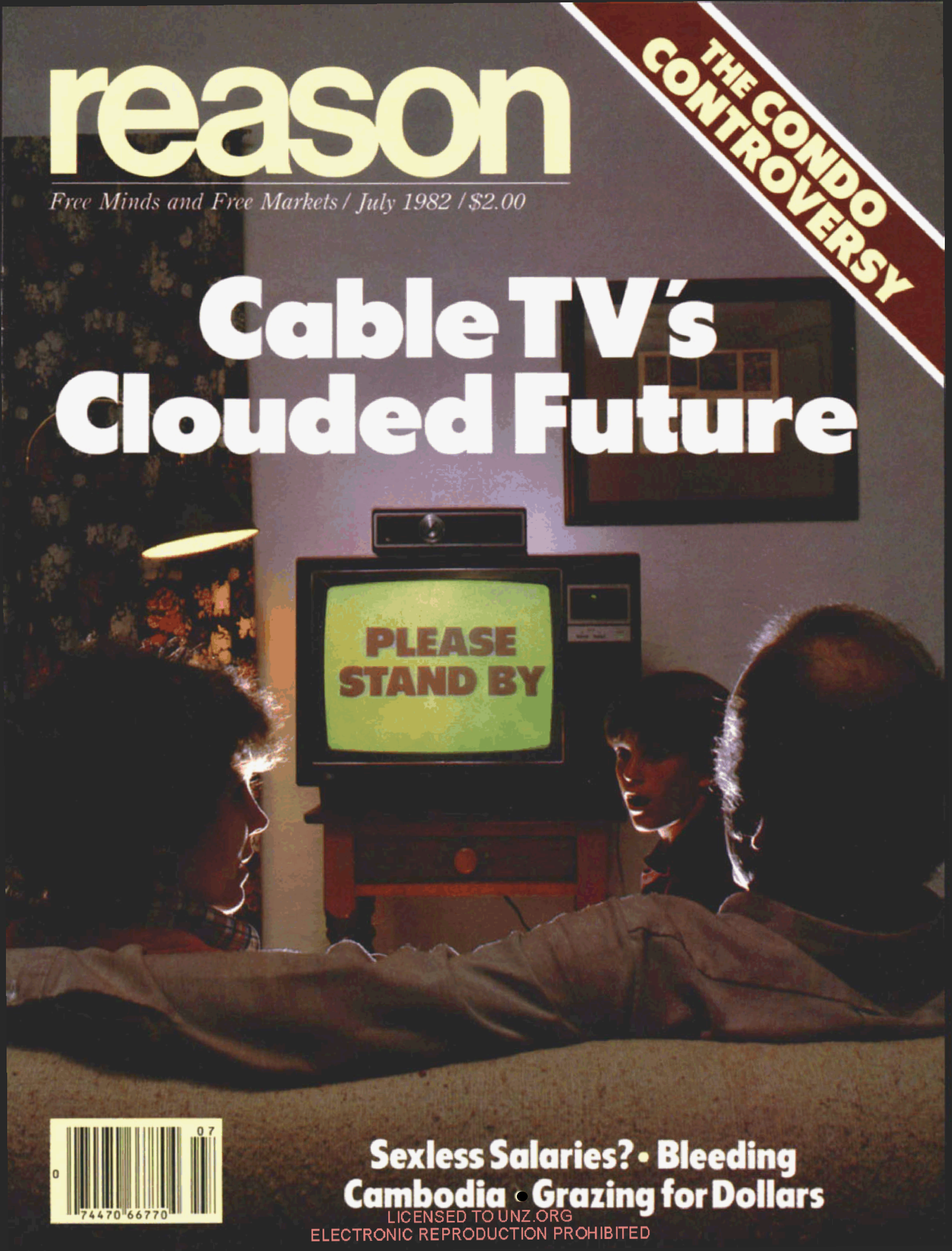

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- Why You Should Own *Both* Rare Coins and Gold Bullion Coins.
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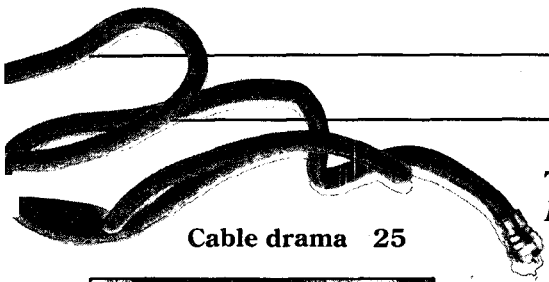

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NOTEs

This month's biggest news is about our investigative journalism articles. Excitement rippled through the REASON offices when we received a telegram announcing that last October's cover story on competing electric utilities won first place in the national magazines category of the 1981 John Hancock Awards for Excellence. Jan Bellamy's investigative article beat out entries from the *Washington Monthly* (the 1980 winner), *Harper's* (1979 and 1977 winner), and many other general-interest magazines. In recent months the article has attracted the interest of state legislators in California and Washington who are looking into electricity deregulation.

Also garnering lots of attention is Dina Rasor's exposé of military testing problems (Apr.). Adm. Isham Linder, the director of Defense Test and Evaluation, wrote Dina that "the strong argument you make for independent and realistic operational testing is one I support wholeheartedly. I am providing copies of your article to the commanders of the four Service operational test agencies, and I intend to discuss it with them at our next commanders meeting." Meantime, Sen. David Pryor (D-Ark.) inserted the article in the *Congressional Record* and is drafting a bill to reform the testing process. In addition, CBS's *60 Minutes* has begun work on a story about Dina and the military testing problems revealed in the article. She has also made several radio talk show appearances.

Last fall I took part in a conference exploring new approaches to national defense. Sponsored by the Liberty Fund, it brought together defense policy analysts, economists, political scientists, and philosophers—people ranging from libertarian economist David Friedman to CIA veteran Cord Meyer. The proceedings of this conference are now available from its organizer, Joseph P. Martino, Research Institute, University of Dayton, 300 College Park, Dayton, OH 45469. Send $5.00 and ask for "Defending a Free Society While Preserving Individual Freedom."

At the end of January I was the keynote speaker at the founding convention of the Private Sector Fire Association, a new trade association of profit-making fire-fighting companies. This is one area where privatization of public services really seems to be catching on. Another indicator was the publication (Jan. 25) by *Federal Times* (circulated to 90,000 government bureaucrats) of my article "A Green Light Shines for Contracting Out." I spoke on privatization of local services at the mid-February convention of the California Libertarian Council. In March, I spent a day briefing city officials in Norwalk, Connecticut, on the subject, under the auspices of Free Zone Authority Services, an organization helping cities plan for enterprise zones. I did the same in Louisville in May. And in April I spoke on privatization at the Heritage Foundation's annual Resource Bank meeting in Chicago.

Senior Fellow Tibor Machan continues to keep a busy schedule. He has edited three books that are coming out this summer. *The Libertarian Reader* (from Rowman & Littlefield), *Government Regulation: Pro and Con* (from Ballinger, coedited with M. Bruce Johnson), and *Recent Work in Philosophy* (Rowman & Littlefield, coedited with Ken Lucey). He also has a chapter on regulation of business in the new Random House volume, *Just Business.* In March he took part in a conference, Philosophy, Liberty, and Responsibility, in Florida. And in April he was William Buckley's guest on the "Firing Line" TV program, participated in a conference on Marxist thought, and codirected as well as took part in a Reason Foundation/Liberty Fund conference on Natural and Positive Law in Santa Barbara.

—R. P.

This month Paul Gordon joins our staff as assistant editor. In addition to working with me on editing the contents of each month's issue, he will be coauthoring the Trends column and serving as managing editor of our newsletter, *Frontlines.* Paul comes to REASON from the Wisconsin Civil Liberties Union, where he was administrative assistant. He has also worked as public relations director for an experimental theater in Milwaukee and as a reporter for the *Chicago Daily Defender.* He has degrees in political science and journalism from Sangamon State University.

Paul's predecessor, Eric Martí, resigned for personal reasons to return to Chicago. We will miss his spirit and his contribution to REASON, and I wish him the best of luck in his future endeavors.

—M. Z.

NTP News Report — Part I (ADVERTISEMENT)
(Revised edition)

THE MOST IMPORTANT MONEY/POWER DISCOVERY SINCE THE INDUSTRIAL REVOLUTION

Frank R. Wallace, Ph.D. — Interviewed by NTP Columnist Eric Savage © 1981

The discovery of an entire new field of knowledge has been made by Dr. Frank R. Wallace*, a former Senior Research Chemist for E. I. du Pont de Nemours & Co. Since mid-1976, Dr. Wallace has worked to uncover a spectacular array of new techniques called Neo-Tech. Those techniques allow ordinary people to prosper anywhere in the world — even during financial hard times, recession, depression, inflation, economic collapse, war. ...I interviewed Dr. Wallace at his home in southern Nevada. Below are edited portions of the interview that explain his discovery:

NTP: What is Neo-Tech? How can I benefit from it?

WALLACE: Neo-Tech is a new, scientific method for collecting unbeatable advantages. Over the decades, all successful businessmen, entrepreneurs, professional people, salesmen, politicians, gamblers, Don Juans have secretly searched for shortcuts that give them unbeatable advantages over others. During the Neo-Tech Discovery, I identified those shortcuts. As I honed them together, they gelled into a new format that began generating a flood of previously unknown advantages called Neo-Tech.

Neo-Tech has its roots in the constant financial pressures and incentives to develop the easiest, most profitable methods of gaining advantages. Neo-Tech is the consummate evolution of achieving success and is what every successful person ultimately seeks. Once a person knows the money/power-gathering techniques of Neo-Tech, he can automatically profit from almost any situation involving the transfer of money or power.

I first sensed Neo-Tech through poker — the money game, the strategy game, the deception game. Strange how a discovery so important as Neo-Tech started with something so restricted as poker. Indeed, poker is just one rather insignificant area involving the transfer of money in which a person can profit through Neo-Tech methods.

Subsequently, I pursued Neo-Tech beyond cards to uncover far greater advantages in competitive situations involving work, business, finances, politics, and personal relationships. Neo-Tech applies to all winning situations. ...The Neo-Tech man is unbeatable.

NTP: Can people really get rich by using Neo-Tech? And who exactly is the Neo-Tech man?

WALLACE: Let me begin by saying: Traditionally, the world's most successful people spent years secretly uncovering valid shortcuts within their particular fields. They became specialists in their fields by using those shortcuts to efficiently control people and key situations. But Neo-Tech is based on a new knowledge that generates profits and power, bypassing all the vague, amorphous ideas of the past for gaining advantages.

The Neo-Tech Discovery gathers and reformats *all* possible shortcuts into one crystallized unit that in turn generates a spectacular array of brand-new practical, marksman-like techniques called Neo-Tech. With those Neo-Tech formats, a person immediately becomes an expert specialist not just in controlling one particular field, but in controlling all situations involving money and power.

The Neo-Tech man has access to those techniques making him a man of quiet power — a person who cannot lose. He can control essentially any situation or anyone unknowledgeable about Neo-Tech . . . man or woman.

Yes, Mr. Savage, a person can get rich by using Neo-Tech.

NTP: Do you mean Neo-Tech applies to the ordinary person?

WALLACE: Neo-Tech applies to everyone in all money, power, and personal situations. By using Neo-Tech, the ordinary person for the first time has the combinations to unlock and use those potent shortcuts needed to grow into a money/ power giant. But most importantly, he never has to wait to become a money/power giant. He can immediately use Neo-Tech to gain unbeatable advantages in his daily routine.

Never before have unbeatable advantages been available to the ordinary man. Indeed, the ordinary person can apply this new knowledge to any chosen extent — from becoming a world success to quietly increasing his income and prestige. The person who acquires this new knowledge can execute complete control over his life and command not only his own destiny, but the destiny of those around him.

NTP: You're saying a person can use Neo-Tech to control his own life as well as almost everyone else's life, coming or going.

WALLACE: That's right. Neo-Tech transfers money, power, and prestige from the uninformed to the informed. Those informed can automatically take control of situations involving money and power ranging from winning a lover to becoming exceptionally competent, to becoming a key employee, to gaining substantial raises, to predicting stock prices . . .

NTP: Neo-Tech could be really important for many things, couldn't it?

WALLACE: Indeed, it can make anyone increasingly prosperous.

NTP: How quickly will Neo-Tech spread?

WALLACE: Naturally, as people gain this knowledge, they will begin using its techniques because they are irresistibly easy, yet extremely potent. Thus, as people find out about Neo-Tech, it will automatically spread throughout the world. ...Neo-Tech will beneficially exploit the world more than anything since the Industrial Revolution.

Continued

About Dr. Frank R. Wallace

**During his 12 years at Du Pont's Brandywine and Chestnut Run Laboratories, Dr. Wallace was involved in several major research projects, including the catalytic conversion of salt and sand into chlorine and water glass to reduce the cost of raw materials for industry (Wallace holds the basic patent); the development of commercial flexible nylon used in the auto industry to improve fuel and brake systems; flame retardant nylon to improve the safety of electronic products; fluorocarbon wire coating to improve the efficiency and safety of aircrafts, space vehicles, and missiles; high-definition acrylics to reduce the cost and enhance the appearance of signs; and medical uses for man-made fibers, including new leads to disease cures. Dr. Wallace is also the author of several books, the author of many magazine articles (including the first-place, national award-winning article about the bicameral brain), the former editor of a national magazine, and a marathon runner. In addition, he is a former professional poker player and the author of the world's best-selling poker manual, "Poker, A Guaranteed Income for Life by using the Advanced Concepts of Poker", Warner Books, New York. 359 pages.*

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ADDENDUM TO THE NTP NEWS REPORT — ADDITIONAL INFORMATION ABOUT THE NEO-TECH DISCOVERY

by Mark Hamilton, Editor ©1982

During Eric Savage's interview with Dr. Frank R. Wallace, other important questions and answers about the subtler powers of Neo-Tech were recorded near the end of the interview. But because of Neo-Tech's dramatic power to create quick advantages I omitted the latter part of that interview from the NTP News Report. Then, during subsequent weeks, I realized my mistake: Neo-Tech's subtler power and great personal values will, over the long-term, be equally as valuable as the immediate rush of money and power advantages so easily available from the Neo-Tech techniques as revealed in the original NTP Report. Also, revealed is the dramatic contrast of the shortcuts to profits and power achieved through dishonest Neocheating versus the unstoppable profits and power achieved through honest Neo-Tech.

Therefore, I'm providing the rest of Mr. Savage's interview:

NTP: Beyond the immediate financial advantages and quick profits available from Neo-Tech, how will the Neo-Tech Discovery affect you and me in the real world . . . in society?

WALLACE: Neo-Tech meets the criteria: easy and safe — but powerful. Therefore, Neo-Tech will increasingly be used in all areas by more and more people. And the lives of those people will grow richer. Of those, some will choose to use Neo-Tech concepts to gain enormous power and wealth. But equally important, people knowledgeable of Neo-Tech cannot be drained by Neocheaters. The ordinary man, no matter how low on the power scale, can reverse the situation. With Neo-Tech, he can take away the power from the Neocheaters who have drained him all his life. That is extremely important since the most powerful external authorities today extract money and power from the masses of unknowledgeable people by Neocheating. For example, essentially every traditionally trusted politician has for years gleaned power by Neocheating the uninformed public without fear of being caught, without suspicion. Indeed, to the extent he is successful is the extent he uses Neocheating. Consider how many of the most successful politicians have for years overly regulated, controlled, and taxed the public — have neocheated the public — for personal power. Their power ploys have created such a jungle of regulations, inefficiencies, and red tape as to hassle busy individuals, cripple creative scientists, and prevent private enterprise from fully developing their productive and technological capacities. That arrogated authority not only diminishes everyone's spirit, but diminishes everyone's standard of living and even prevents the development of cures for diseases such as cancer. More importantly, research on biological immortality . . .

NTP: Wait a minute. Preventing cures for cancer? How can that be so?

WALLACE: Let me relate a personal experience: As a scientist at Du Pont, I was involved in research that offered a unique approach for the treatment of diseases. One potential approach involved the development of extremely fine fibers impregnated with slowly releasing drugs. If such fibers were injected around cancer tumors, for example, the growth of those encased tumors might be retarded or stopped — to lay harmlessly dormant in their man-made coffins forever. But FDA "scientists" and other bureaucratic Neocheaters trying to enhance their jobs and glean prestige killed that and many other promising research projects with time-consuming, prohibitively expensive, self-serving regulations.

NTP: You know, "60 Minutes" recently dealt with something like that. And I hear about that kind of thing more and more these days. How can it be stopped?

WALLACE: Today, as Neo-Tech spreads, people in steadily increasing numbers will be able to, for the first time, avoid the harmful ploys of those external authorities. As the public becomes informed of Neo-Tech, they will be able to identify and circumvent those master Neocheaters who have previously drained them. Now, ordinary people will be able to fill their own pockets with profits rather than lining the pockets of the Neocheaters. Politicians and other authorities will be increasingly understood by the public as more and more people learn about Neo-Tech. I have a chart that demonstrates how most people have unknowingly let their lives be drained by those external authorities. This information also shows how the informed will financially and emotionally benefit by breaking free of those master Neocheaters. Indeed, everyone informed of Neo-Tech will have the tools not only to break free but to profit from the decline of external authority. Furthermore, this information shows exactly how the average person can turn into a Neo-Tech man...a man who can acquire far greater advantages than any Neocheater — even a master Neocheater.

NTP: Your chart uncovers things I was never aware of. It's bad enough that those Neocheaters conceal their ripped-off power, but it's rotten how they're doing it by draining me, you, and everyone else . . . those bastards. Do you see we're the ones who really count . . .

WALLACE: That's right. We're the ones who hold the power on this planet. But like you, most people have never been aware of that. Now, with Neo-Tech, you can truly control your life. That's why the Neocheaters never told us their secret, because we would take away their power that is rightfully ours. You, like everyone else could never really know the truth behind external authorities without understanding Neo-Tech. The actions of such external authorities usually depend on Neocheating — on undetectable routes to easy money or power at the expense of others. Like the Neocheater in cards, the external authorities are confident and relaxed; they control their surroundings ; they work in harmony with their natural characteristics; and they know they can never be caught. Furthermore, they seemingly benefit their victims by giving them guidance, leadership, or doctrines to follow — making those victims easy to control. Fortunately, however, publicly revealing Neo-Tech exposes the Neocheater's essence. That could lead to the eventual demise of external authority. ...No longer need you be denied what is rightfully yours.

Indeed, today, you as the Neo-Tech man never again have to feel helpless. You never again have to be on the defense. You never again have to depend on anyone or anything of the past. You can enter a new world and control your own future. You can become a Clark Kent — a quiet superman. You can gain the real power — the real advantages and profits that few ever knew existed.

NTP: Now I know why the Neo-Tech Discovery will immediately . . .

WALLACE: Also, consider another benefit of understanding Neo-Tech: the stopping of the pain and harm caused by certain everyday acquaintances straight up to the authoritarian bureaucrats who surround everyone in almost every area of life. Neo-Tech can abruptly stop the pain and harm caused by being beaten at cards, cheated or exploited by one's spouse, manipulated by parents, drained by bosses, gypped by merchants, intimidated by pushy or monied people, misled by professional people, stunted by dishonest and incompetent educators, used by friends, abused by strangers, fouled up by bureaucrats, fooled by mystics, and hurt by government.

Neo-Tech can truly put an end to all those hurts and diminishments that have constantly kept you from becoming the person you've always dreamed of — the person you were meant to be.

And there are other side benefits. For example, when viewing network TV with the knowledge of Neo-Tech, a person becomes acutely aware of the steady stream of powerful Neocheaters — TV commentators, news editors, sociologists, politicians, educators, nutritionists, faddists, mystical gurus, and religious proselytizers — who constantly gain advantages from their followers in countless subtle ways. Neo-Tech concepts allow people to identify and nullify Neocheaters who drain everyone's life daily.

With the concepts of Neo-Tech, a person nullifies those Neocheaters while transferring their power from them to himself. He no longer needs to bow to or idolize the man-on-the-hill. Neo-Tech allows people to be proud of themselves. With Neo-Tech, a person knows with fearless righteousness that he, himself, is the most important person—and everyone will know it.

NTP: Can you restate what you're saying to bring me back to earth?

WALLACE: The Neo-Tech concepts are practical tools for profits and crucial tools for thinking. Neo-Tech really puts one on the right track. No longer do people have to suffer in silent frustration watching their lives and dreams be quietly drained away.

NTP: Yes. Who hasn't felt that distant, lonely sadness...

WALLACE: The Neo-Tech concepts are among the most powerful thinking tools for profits; they are the cutting edge for prosperity...for making realistic dreams come true. Neo-Tech can rekindle those sparks that flickered out long ago.

NTP: Is all that really true? I mean, does all that really apply to us — to us who work for a living?

WALLACE: You are the good, the innocent, the powerful. You are the Clark Kents. The days are over of your being defrauded of wealth, pleasure, and happiness. The days are over of being victimized by the politicians, mystics, and pseudo intellectuals. In your innocence, you have unknowingly been drained by Neocheaters. Now, at last, you can break free and take what all productive human beings rightfully earn but seldom take...a guiltless life of comfort, pleasure, and wealth. But even more, you can now become the Neo-Tech man and command your own future.

NTP: That's pretty profound. I'll have to give that some deep thought.

WALLACE: You should. For the more one thinks about Neo-Tech, the more he will profit from it.

NTP: What if I want to profit more and more? What if I get a little greedy? What if I want to become the man-on-the-hill now — through Neo-Tech?

WALLACE: Look at the chart again. Contrary to what most seem to believe, the highest profits of Neo-Tech come not from *destroying* advantages of others, although anyone can do that with Neocheating to gain tremendous power and profits. But the highest profits come from *creating* honest advantages for oneself. Indeed, to any chosen extent, you can apply Neo-Tech to personally gain both immediate and long-range advantages in business, personal life, and social situations...the applications of Neo-Tech are endless.

Back to your question about becoming a little greedy. As the first step, anyone can immediately profit by collecting the Neocheating advantages available in any winning situation. Moreover, anyone can use Neocheating to control other people — control even the sharpest, most-alert people. Master Neocheaters use undetectable techniques to gain maximum advantage from every situation to acquire extreme power and wealth. And anyone can use Neocheating to gain easy advantages or profits to any chosen degree. But who needs that? The Neocheater, yes, he can easily do all of that. But the Neo-Tech man...he needs none of that. For him, Neocheating is limiting and obsolete.

Just acquiring the knowledge of Neo-Tech will show you how to reach your goals quickly and easily. You will experience a mounting sense of power and excitement while learning about Neo-Tech. Indeed, through the Neo-Tech discovery, you too can achieve great strength in your career or field of interest by becoming a quiet Neo-Tech man. In addition, you will forever be immune to Neocheaters...immune to most harmful situations. And, of course, if you ever decide to play cards seriously, you could leave any game a consistent loser, acquire the Neo-Tech information, and return never to lose again.

NTP: Winning a fortune at cards seems so insignificant now compared to what one can really do with Neo-Tech.

WALLACE: Mr. Savage, you're on the way to becoming a Neo-Tech man.

Continued

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Part II — THE NEO-TECH DISCOVERY — ©1981 by NTP

Neo-Tech was unveiled in 1980 by Dr. Frank R. Wallace; his discovery is truly an unbeatable weapon. Neo-Tech is a new, all inclusive catalyst for profiting in essentially any money or power situation.

As a former professional poker player and author of the world's best-selling poker manual, Dr. Wallace made the initial steps toward discovering Neo-Tech through poker. In 1976, while researching and writing an addendum about casino and club games for his best-selling Poker Manual, Frank Wallace used his world-known expertise to piece together an unbeatable, seemingly innocent approach being used by certain professionals in high-stake games. Wallace was taking the first step toward the Neo-Tech Discovery.

Gradually, Wallace and his two co-workers uncovered, one step at a time, the full power of Neo-Tech, which became evermore meaningful as they discovered whole new realms of much more powerful concepts than those used in cards. Those valuable concepts applied to everyday situations — situations in which power makes an enormous difference — in business, social situations, and all other competitive and personal situations. Below are edited segments taken from Wallace's confidential notes recorded during his research:

July 1976

I've discovered the never-before-revealed nature of effortless winning while playing poker. This discovery purges the false notions about winning in cards and eliminates its mystical aura. I feel an addicting power as I begin to do the seemingly impossible. With ease I can make maneuvers to beat all opponents. ...I've named this new knowledge, *Neocheating.*

August 1976

Neocheating is something new — something exciting. I feel uneasy about learning to win so effortlessly and quickly. With this lethal knowledge, think what a person could do to his opponents in a matter of days.

September 1976

Neocheating can be executed in peace and without the knowledge of others. Neocheating is almost too easy and safe, yet it is the most potent form of winning. Indeed, the simpler and subtler the technique, the easier and safer and, therefore, the more effective it is.

Anyone can quickly become a player who cannot lose. Indeed, through Neocheating, an average player can increase his advantage so greatly that he can break most games at will. He can win fast — very fast — in poker, blackjack, bridge, and gin. He can acquire large chunks of money, $2,000, $10,000, or more in a single day, repeatedly. But he avoids winning too fast by withholding Neocheating's full power in order to extract maximum, long-term money from opponents. He fears no opponent. He can impoverish anyone he chooses; and they'll never know what hit them. ...I'm glad to be discovering Neocheating before anyone else.

October 1976

I've discovered easy ways to nullify moves made by opponents. I'm struck by the importance of understanding Neocheating. I need that understanding to prosper in situations involving money. Eager with anticipation, I sense that this new knowledge could be incredibly valuable beyond the card tables.

Still I keep discovering more and more invisible techniques that deliver unbeatable advantages. But I'm thinking more deeply of how even the Neocheating concepts when used through this new discovery apply not only to presidents and their world politics but to everyone, everywhere. I'm grasping how the concepts of Neocheating can be used both to gain large chunks of money and to gain power in business, government and personal life.

November 1976

With this knowledge, what could a person do in the real world without the boundaries of a card game? Who is the Neocheater? He is an ordinary-appearing person who will not only rule the card tables but might soon control the world. A chill spreads over me. The closer uninformed people observe a Neocheater, the more reassured they become. The real-world Neocheater appears as a most trustworthy person. But he knows exactly how to win. He can bankrupt opponents, yet instead, he creates advantages that remain unnoticeable to his opponents while delivering maximum long-range profits to himself. Quietly he applies his power in small strategic doses to gain steady yet unsuspicious advantages and profits while keeping everyone happy. Thus, the Neocheater is impossible to catch in the act and is hard to avoid. With his subtle yet unbeatable advantages, he can comfortably and *legally* control all aspects of life.

The Neocheater's techniques are invisible. So even if suspected, he can never be accused — his tactics actually eliminate suspicion. Indeed, he can always avoid the consequences because he can never be caught in any questionable act. ...The Neocheater works in relaxed harmony with his natural characteristics.

December 1976

Because Neocheating is so subtle, no one can ever prove a person is using its techniques. The Neocheater has the power to render others helpless, even wipe them out, but he wisely chooses to use just enough of his power to give him unbeatable casino-like advantages in all endeavors. His Neocheating maneuvers are so subtle that they can be executed with casual confidence. His hidden techniques let him win consistently and comfortably — year after year, decade after decade.

January 1977

Neocheating formats can be established for almost any situation. With such formats, a person not only captures unbeatable advantages over others, but commands shortcuts to profits and power. I'm realizing how many of the most wealthy, powerful, and admired people today consistently use Neocheating formats without ever realizing it — without ever being suspected. I call those people Master Neocheaters. They acquire extreme power and wealth. Such people include trusted heads of states, powerful political leaders, charismatic idols, famous religious leaders, certain prosperous businessmen, international bankers, many of the best-known TV commentators, key journalists, influential editorial writers, Hollywood actors, many well-known authors, certain prestigious professors, many successful lawyers, highly visible environmentalists and consumer advocates, politically or socially oriented scientists — many of the most powerful people in the world. By the mid 80's, perhaps every ordinary person who becomes wealthy or powerful in any field will have used this discovery. ...I've got to think about Neocheating a lot more deeply. New ways for ordinary people to gain power and advantages are bombarding me faster than I can analyze them.

February 1977

Neocheating sharply reduces the time and effort to profit consistently. What is happening in cards today indicates what will happen in the real world tomorrow. Within days after gaining this knowledge, people can safely bankrupt opponents — or slowly profit from them, week after week. People can extract money and prestige from any winning situation. People can benefit from financial endeavors — from dealing with the boss to the biggest oil deal. People can also benefit from any relationship — from gaining respect of peers to inducing love from a partner. Yet no one suspects the Neocheater.

The application of Neocheating to everyday financial and personal relationships is becoming increasingly real. In fact, Neocheating can be used in any confrontation involving two or more people. And anyone who crosses the Neocheater's path is in potential danger. The Neocheater can financially and emotionally control whomever he desires. The strength and dimensions of Neocheating with its infinite applications reach far beyond my previous thoughts and imagination.

March 1977

I feel an accelerating pull towards power as I continually discover new ways that anyone can effectively apply this new knowledge to any winning siuation — in business, politics, gaming, personal and social life. But I am sensing different types of shortcuts never known to me before — shortcuts that never could have been perceived without having first identified and understood the Neocheating shortcuts. Yet these new shortcuts are totally different than those of Neocheating — they are actually the antithesis of Neocheating. In fact, these new shortcuts take a form all their own . . . a form previously unknown to man.

April 1977

I keep thinking over and over how discovering these new techniques or shortcuts first required understanding then completely inverting the Neocheating principles to reveal the greatest power possible to man. ...No wonder the ideas of the past and previously promoted shortcuts never could reveal the real secrets to guaranteed success — the real shortcuts.

These shortcuts have greater power than I ever thought possible: consummate power that is far greater than possessed by any Neocheater, even any Master Neocheater — synergistic power. And all of these new techniques and shortcuts are completely honest while ironically requiring less skill and effort than the Neocheating techniques.

This new discovery compresses all these new shortcuts in every possible area into one unified format. This single unit is generating a whole new field of knowledge that will let the ordinary person take control — awesome control — over every money, power, and personal situation. I'm beginning to think that this could be the most dramatic discovery of our time. ...I've named this discovery — this new knowledge — *Neo-Tech.*

December 1980

I now realize that Neo-Tech *is* the most dramatic discovery perhaps of all time. Neo-Tech lets anyone, from the world's money giants to ordinary people, gain unstoppable advantages not only in the highest powered situations but in everyday, routine situations confronted by everyone. Neo-Tech has no limitations. Anyone knowledgeable about Neo-Tech can prosper for the rest of his life. With Neo-Tech anyone can become the person he's always dreamed of — the person he was meant to be.

Continued

* * * * *

Recently, Dr. Frank R. Wallace and his co-workers completed a five-year research project on Neo-Tech and prepared a comprehensive, half-million-word Information Package that fully reveals all facets of the Neo-Tech Discovery. That Information Package reduces the techniques of Neo-Tech into powerful but surprisingly easy formats that anyone can execute in almost any situation.

The public can now acquire the complete 632-page Neo-Tech Information Package for becoming unbeatable in almost any competitive or money/power situation. Both Neo-Tech I and II describe every step and every situation in detail with over 200 concepts. Many concepts are accompanied with how-to, real-life situations. And each concept is in a crisp, self-contained consultant capsule so that any reader can use Neo-Tech Power to fill his own wants and needs — beginning with Concept 1 — without having to read through the entire package. Also a quick-find index of over one-thousand subjects lets the reader go straight to the concepts that apply most to his immediate needs.

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Continued

(ADVERTISEMENT)

— A Postscript From Eric Savage —

Personal Profits — Mine

Although I spent several hours interviewing Dr. Wallace about Neo-Tech, I failed to realize the profound benefits and major profits available from Neo-Tech until actually receiving the Information Packages. While opening the cover of The Neo-Tech Discovery (volume I), a feeling came over me that I was embarking on a journey from which I would never return. I felt my life changing on reading the first concept. And each subsequent concept delivered new advantages I never knew existed. Three weeks later, on closing the cover of Neo-Tech II, I knew how to capture advantages from almost any situation. I had discovered a new world in which power always flowed to me. ...Today, I control my life and surroundings. My earning capacity is now limitless, allowing me to guiltlessly take from life whatever benefits me. Moreover, I now have a growing power that can never be lost or taken from me — a power earned while studying Neo-Tech.

True, Wallace clearly shows in step-by-step detail how anyone can become a prosperous Neocheater — even a powerful, master Neocheater. Then he demonstrates how Neocheating really does provide easy money, but at the same time lulls people into overconfident, comfortable feelings of "having it made". That security and satisfaction prevents Neocheaters from ever becoming the truly potent, invincible Neo-Tech man or woman. By fully revealing Neocheating, Wallace illustrates his double-barrelled discoveries of how no one really needs the "big-shot's" world of Neocheating to prosper. In fact, the ordinary person using Neo-Tech can prosper more quickly and easily than those using Neocheating, even those much higher on the power scale. Why? Because he never entered their world of Neocheating in the first place.

Admittedly, I was unprepared for the array of advantages that Neo-Tech provides. Even after spending several hours with Dr. Wallace discussing Neo-Tech, I was still unprepared for the Information Package. So what about those people being newly exposed to Neo-Tech without my advantage of having first talked to Dr. Wallace? How will they handle the sudden advantages thrust on them? ...After recovering from the initial shock (and everyone will be shocked over the powerful advantages so readily available to them), those who study Neo-Tech will embark on a one-way journey to limitless opportunities, advantages, and personal profits.

Personal Profits — Others

With Neo-Tech, I find myself among an exclusive but rapidly growing group of people who are discovering a new prosperity and collecting major profits through Neo-Tech. The fastest growing files at NTP are those being filled with reports from readers describing the personal benefits that Neo-Tech is delivering. Some of those reports received in the past 2 months have been culled and summarized below:

(Excerpts from Recent Letters)

"The most valuable work I have ever read, and the best investment I have ever made." L.W., California. "I never would have believed, until I read Neo-Tech, that so much could be going on of which I was unaware." D.M., California. "At the core of Neo-Tech is the clear delineation between winners and losers. And it saddens me to observe how many people lose when it is all so unnecessary." M.V., Wisconsin. "The purchase price of Neo-Tech has been returned to me, literally thousands of times." H.T., Texas. "This work is chock full of valuable information that will enable anyone to win." M.K., New York. "My business has almost doubled in this short time. It's amazing!" Texas. "As a man in his sixties, I have found your work priceless. It opens a new world for me. I now look forward to many happy years that might have escaped me if not for your fine work." P.S., California. "Mind-blowing concepts. ...Thank you." B.J., California. "You will win the price of this information immediately." V.B., Texas. "Made clear why people can be controlled. Realize how I've been cheated and deceived in all areas of my life. An awakening, a new life. Dr. Wallace has created the information to shape my future." B.K., Kentucky. "Neo-Tech set me free to become the productive, guilt-free individual who was always within me." C.L., Virginia. "The most powerful work ever." A.S., California. "Totally stunned. Many times I wanted to surrender to my destiny. Neo-Tech has changed all that." R.S., California. "For over 50 years of search, only Neo-Tech has given a clear and definitive answer." R.S., Illinois. "Neo-Tech is absolutely essential for awakening us from the mesmeric manipulating power of the Neocheaters." I.C., Oregon. "Neo-Tech will be my personal guidance throughout my life." D.Z., New York. "Mental Mace: Used with outstanding success in doing business as super-honest female." F.G., California. "Gained so much in such a short period of time." G.K., Illinois. "Most concise, informative information ever read." W.A., California. "Neo-Tech must get through to the masses." S.R., Georgia. "Most accurate, objective, and poignant work." S.S., California. "Of all the millions of pages . . . Neo-Tech is the most comprehendible." KS. "Thanks to Neo-Tech, I have made a tremendous turnabout and progress." CA. "Every adult and teenager in the world should have Neo-Tech." G.W., Texas. "With Neo-Tech, people can finally develop to the fullest." F.S., Tenn. "Profound benefits to individuals." E.O., Colorado. "Neo-Tech taught me the most valuable lesson I've ever learned. I am literally in awe of Dr. Wallace for what he has done." P.C., Texas. "After Neo-Tech, I'll never be the same. You bet I'm enthusiastic." CA.

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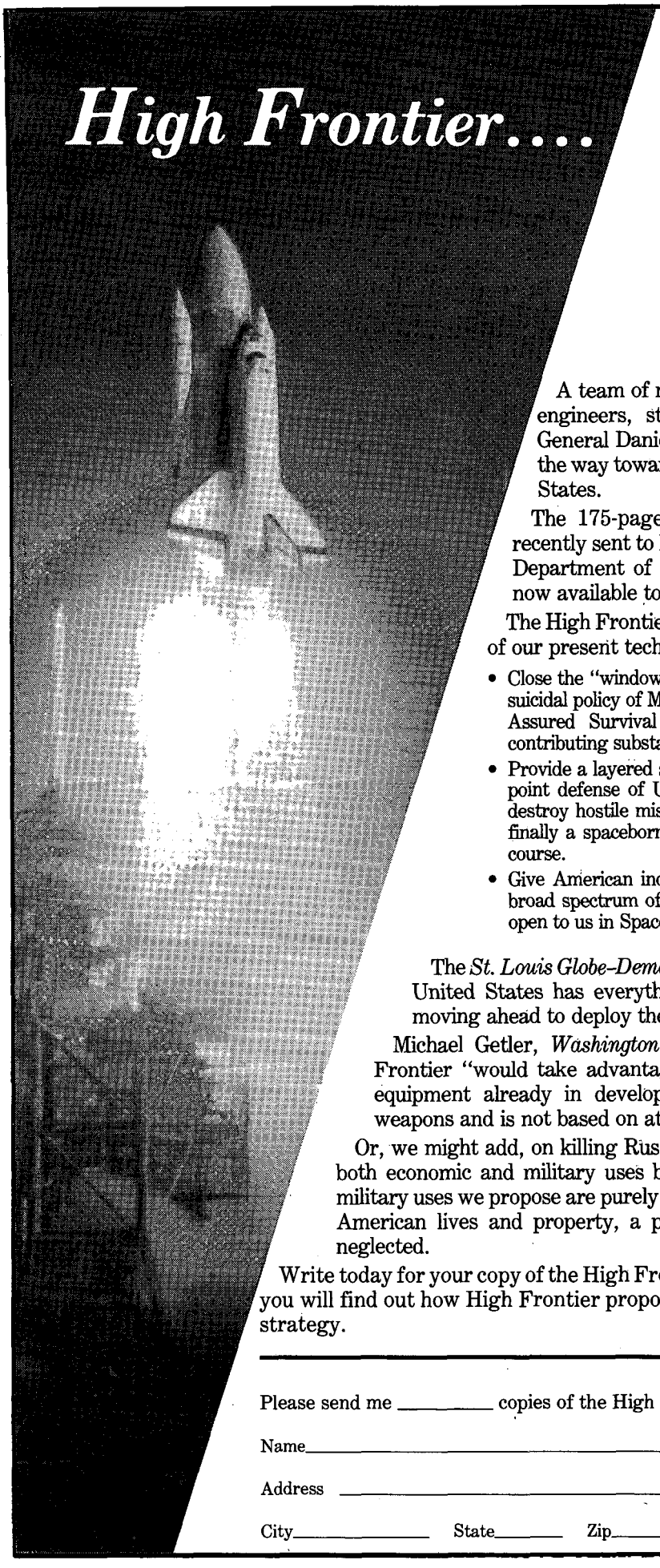

High Frontier....

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The *St. Louis Globe-Democrat* concluded in a recent editorial that "The United States has everything to gain and nothing to lose by quickly moving ahead to deploy the High Frontier missile defense system."

Michael Getler, *Washington Post* correspondent, writes that the High Frontier "would take advantage of a U.S. edge in space technology, use equipment already in development, not require new American nuclear weapons and is not based on attacking missile silos in the Soviet Union."

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Manuel S. Klausner

Free the Falklands

What are we to make of the confrontation in the South Atlantic? Far from being the Gilbert & Sullivan comic opera that some would have it, the Falkland Islands crisis is a deadly serious object lesson in international relations.

Trying to figure out whom to root for has put the left in a quandary: to cheer the British on would be to sanction colonialism and the horrible Margaret Thatcher. Yet to back the right-wing Argentine military government, a regime notorious for torture and the "disappearance" of thousands, would be monstrous. A plague on both houses, then?

Definitely not, for the key lies not in the character of the actors but in the character of their actions. The basic issue involves the legitimacy of force to settle territorial disputes and the principle of self-determination of peoples. In sending its troops (mostly conscripts) to invade the islands on April 2, the Argentine government seized territory where it had no legal jurisdiction. The British government has responded not only with diplomatic and economic pressure but also, justifiably, with force of arms—measured, careful force of arms, to be sure, offering the Argentines ample time to reconsider at every step—but clearcut retaliatory force.

The *Economist* summed up the rationale—and the necessity—for such action in defense of the rule of law as follows:

> *No rich or poor country can expect help in resisting armed seizure of disputed territory unless seizure of even such a little piece of real estate as the Falklands is met by determined resistance. . . . If a democracy is not armed enough or self-confident enough to resist even such small-scale thuggery then democrats must expect thugs to rule.*

The Argentines claim, of course, that the Falklands actually belong to them and that the British are merely usurpers. A review of the facts, however, leaves the issue in doubt. The islands were first claimed in 1690 by British seaman John Strong, who named them after Viscount Falkland. The French built a settlement on East Falkland in 1764, the British on West Falkland in 1765, each unaware of the other. The Spanish government bought out the French in 1767, after claiming that the Pope's 1492 division of the New World between Spain and Portugal gave them the Falklands. Until 1774, both Spain and Britain claimed the islands, but in that year the British abandoned their settlements as uneconomical (though without giving up their claim). Spain ruled until 1806, when its governor fled during yet another war. For 10 years the islands were ungoverned, until Argentina declared independence from Spain. The Argentines claimed they had inherited Spanish rights to the islands (which they called the Malvinas) and proceeded to send a governor who remained for 14 years. But the British recaptured the Falklands in 1833, founded a permanent colony of settlers, and have been there ever since. For their part, the Argentines have continued to protest their expulsion by the British.

This tangled history of conquest and reconquest hardly establishes a definitive claim of sovereignty. The British clearly have the stronger case, however, based in part on the longevity of their uninterrupted possession, but primarily on the strong pro-British preference of the islands' approximately 1,800 inhabitants.

The hollowness of Argentina's moral position is underscored by its seizure, along with the Falklands, of South Georgia, 800 miles to the east. Discovered by Captain Cook in 1775, South Georgia has always been in British hands.

No, despite General Galtieri's posturing, it appears that the Falklands and South Georgia were seized primarily for political—not moral—reasons, although the consequences do not seem to have been fully anticipated. Politically, a jingoistic venture is the perfect distraction for a populace fed up with out-of-control inflation, economic stagnation, and the absence of basic political and civil liberties.

As for the charge of British colonialism, the ironic fact is that for the past 10 years the British foreign office has been trying to unload the Falklands, as both an economic drain and an untenable defense burden. The problem has been the unwillingness of the Falkland Islanders (known as "kelpers" for the seaweed that grows offshore) to accept proposed alternatives—which is understandable so long as the British can be looked to for the cost of upholding the islanders' plea to "Keep the Falklands British."

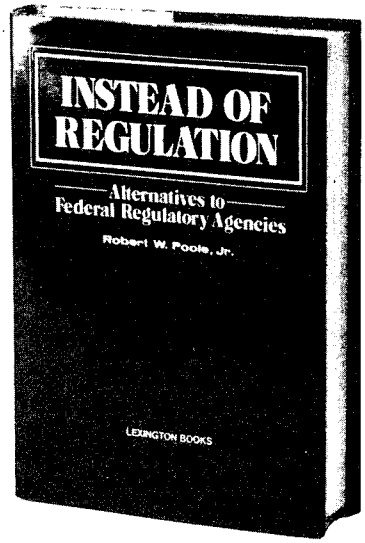
An intriguing aspect of the dispute involves Falkland Islands Co. (FIC), which owns nearly half of all the land in the Falklands and half its 650,000 sheep. FIC was formed in 1852 under a charter from Queen Victoria. Since 1977, FIC has been a tiny subsidiary of Coalite Group, Ltd., a publicly held company with sales over $630 million. Of interest is the offer by an Argentine government-sponsored investment group to buy FIC from its prior owners in 1975 for some $7 million. According to the *Wall Street Journal*, this *nonviolent* Argentine takeover attempt was blocked, with aid from the British and Falklands governments, despite indications that the Argentine group would pay almost any price.

Ultimately, any solution of the Falkland crisis must respect the most important sovereignty of all—that of the islanders themselves. Their right to self-determination is fundamental. Yet they have no claim on British taxpayers to continue paying for the islands' defense.

Having shown that Argentine aggression will not be condoned, the British must now use their diplomatic skills to work out some sort of self-government that protects the rights of the islanders, while not bleeding British taxpayers dry. A Hong Kong model, although previously rejected by the islanders, may be the most sensible solution—for example, formal Argentine sovereignty, like China has over Hong Kong, but with long-term British (or islander) lease of the islands' actual territory, to provide for British or islander administration.

The eventual details are not important at this juncture. What *is* important is that aggression has been countered and the principle of self-determination defended.

THE BOOK WASHINGTON CAN'T IGNORE



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WHAT THEY'RE SAYING

Copies of *Instead of Regulation* are being read at the Council of Economic Advisers, at OMB, at regulatory agencies, and in Congress. Sen. Paul Laxalt says the book "provides thoughtful insight on some of the major problems facing us." Rep. Thomas Kindness calls it "a thought-provoking work of central value to everyone concerned with the future role of government in our nation."

Laffer

Leading advocates of the free market have also endorsed the book. Milton Friedman calls it "a sure-fire antidote to regulatory fever — authoritative, lucid, crammed with both evidence and attractive alternatives." Arthur Laffer says, "*Instead of Regulation* sets out the agenda for deregulation in the 1980s." And William Simon calls it "the most thorough debunking of government regulation yet assembled between two covers."

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Letters

Democracy vs. Tyranny

I read Claudia Rosett's excellent article on Chile ("Chile's Economic Revolution," Apr.), and one idea occurs to me. There is great confusion in the public mind about the difference between a "democracy" and "tyranny."

We all know how some countries call themselves "Democratic People's Republics." They may even allow a vote once in a while on a one-party basis. However, the citizens of such countries can be completely restricted. They are not allowed to leave the country or to take their assets with them. They may not worship as they wish or communicate as they wish. Russia, of course, is the glaring example.

Other countries, such as Hong Kong, for instance, are too often confused in the public mind as being a heaving mass of desperately poor people. Hong Kong produces more wealth per person per annum than most other communities. It is an exciting example of the market working to the poor man's benefit.

Yet in Hong Kong there are no votes. It is in that sense a "dictatorship." However, the people can come and go as they choose and take their money out of the country as they choose. They can read and write as they choose and discuss anything.

What is important is that economic legislation and the economic climate should be such that it maximizes individual choice. This is so of Chile, even though at the present time there are no votes and there is much to be corrected.

It is important to make the additional point, perhaps even more than Ms. Rossett does, that it is possible to buy and sell even foreign newspapers in Chile. People can come and go and take their money out or take it in as they choose. Taxes are very low in Hong Kong, and they are coming down in Chile.

The interaction of legislation, voting rights, and the maximization of individual choice is a subject which cannot be explained too often.

Antony Fisher
Atlas Economic Research Foundation
San Francisco, CA

Unmistakable Make

As an avid reader of REASON magazine, I look forward each month to receiving my copy in the mail. And so it was with great interest and fascination that I read Claudia Rosett's article concerning economic decontrol in Chile ("Chile's Economic Revolution," Apr.). While her piece seemed on the whole to be well-researched and well-reasoned, I feel compelled to make a minor correction.

On page 36 there appears a photograph of a rather old and somewhat dilapidated auto, with the caption referring to "crude domestic vehicles like this one." I feel that the facts regarding Chile's economy speak loudly enough for themselves and that the deck does not have to be stacked in the author's favor. What I am referring to is the fact that the vehicle pictured is not an example of "crude domestic" manufacture but is in reality an imported French automobile, the classic Citröen "Deux Chevaux" or 2CV.

Admittedly, the car is missing its front fenders, but neither the design nor the two chevrons on the hood of the car are mistakable. A minor point, perhaps, but attention to detail and facts is one of the strengths of your fine magazine.

Quentin Leef
Rolling Hills, CA

Ms. Rosett replies: The car in the photograph, which Mr. Leef identified correctly as a Citröen Deux Chevaux, is indeed an example of "crude domestic manufacture." Prohibitive tariffs under Allende made it impractical to import these cars. They were assembled in Chile, under a licensing agreement with Citröen, with some parts supplied by France and the majority of the parts and all the labor supplied in Chile. Once assembled, they sold at more than twice the world price to the captive local market. Even when new, they were crude compared to the imported cars, brought in with 10-percent tariffs, that dominate the Santiago streets today.

Does Crime Pay?

Apparently, Maine State Prison was onto one of the best rehabilitation programs that our country has ever seen ("Making Good(s) behind Bars," Mar.). But there is more to be learned from that story than just that the government, as usual, fouled up something that could have been good if they had left it alone. The prisoners' response to economic opportunity was essentially indistinguishable from that of most of the rest of us.

Could it be that criminals are not mentally defective, but simply ordinary people who have decided that crime does pay? After all, a cost-benefit analysis of thievery shows a net benefit for the thief, unless his victims can impose an extra cost by resistance or punishment. Our understanding of this one simple point could have a major effect on our ability to deal with the crime problem....

Richard W. Hatzenbuhler
Hoosick Falls, NY

Unearthing the Facts

Both Kelly Ross and you are to be congratulated on the very informative article, "Vanishing Farmland" (Mar.). It supplies a lot of sound data to back up what we have long suspected, that the vanishing farmland threat is simply a delusion on the part of the gullible and a political play on the part of the bureaucrats to keep or increase their emoluments.

I'm enclosing a letter and questionnaire from that American Farmland Trust, which I got last fall, and my reply to it. If I had had access to the information Ross supplies, I could have cited it, but I'm pleased to see that I had the basic flaws of that propaganda program correctly identified.

What other steps might one take to expose this fraud and to chase the trustees out of the Temple of Taxpayers' Money?

Walter R. MacLaren
Pasadena, CA

Freeze-Out Facts

The problems of innovation and the encouragement of entrepreneurship in high technology are worthy of attention from your magazine. Unfortunately, Mr. Soergel's article, "High-Tech Freeze-Out" (Apr.), is remarkable in its lack of factual information on the subject. Aside from a few statistics on government R&D funding, he provides no support for his argument that this distribution of funds has a negative effect on high-technology entrepreneurs. Instead, we are provided with a potpourri of opinions, clichés, and romantic myths represented as indisputable fact.

For example, the article begins by

LETTERS

stating, "It is a fact that small businesses can claim a disproportionate share of technological breakthroughs." Now, these small businesses can certainly *claim* this, but the validity of this argument has often been challenged. A perusal of any list of successful new high-technology businesses will reveal, for example, that a majority were founded by people formerly associated with the very organizations the author condemns—the "university-agency complex" and large industrial R&D organizations. An examination of the growth of the semiconductor industry, for example, reveals the positive impact that government-sponsored research and technology developed by large industrial laboratories has had on this industry....

After working for 20 years in high-technology R&D and participating as an investor in venture-capital businesses, I have drawn an alternative set of conclusions to explain the problems encountered by Mr. Soergel. First, successful R&D efforts in high technology *require* large organizations, with their accompanying synergistic interactions and large resources for expensive facilities. Second, small organizations are often more successful in exploiting the technological breakthroughs that result from these R&D efforts. The distribution of government R&D funds, which the author finds so unfair, is merely a symptom of these realities and not their cause. Finally, it has been my observation that people with good ideas can go into the capital market, even today, and find the resources needed to start high-technology businesses. I know of no venture of this type which has considered government R&D funds as a source of "seed money."

It is not clear exactly what kind of redress is being sought by the author. If he wishes only to rewrite the tax laws to give him additional tax benefits, the effect on the success of venture-capital business will be minimal....If, on the other hand, Mr. Soergel proposes that government R&D funds be redistributed on a more equitable basis (a concept receiving wide attention from egalitarian-minded congressmen), the result will likely be detrimental to our country's effort in high technology. The elite universities, where government funds tend to gravitate, play a critical role in high-technology entrepreneurship, and it is here where redistribution would hurt most....

I encourage you to devote more space in your excellent magazine to the problems of high technology and business. However, try to be more selective. An article as heavily sprinkled with myths and clichés as this one should be examined critically. I suggest that you get someone with direct experience in running a successful high-technology, venture-capital business to write an article on his real problems. Unfortunately, such a person is probably too busy trying to solve his problems. Only business failures have the time to write magazine articles.

Robert C. Sundahl, Jr.
Bethlehem, PA

Mr. Soergel replies: Mr. Sundahl, in his commentary, carefully skirts the real subject of my article and just as carefully inserts one of his own. As explained in the opening, my article was about three public policies that, in combination, promote venture *inequality* before the law. Unknowingly, taxpayers finance business expansions but not the start of brand-new enterprises. The article was not about "bigness is bad, and smallness is good," as Mr. Sundahl has misinformed your readers.

He claims "it is not clear what kind of redress is being sought by the author." I beg to differ. In the article's last section, I called for venture equality before the law for everyone—ongoing businesses and individuals. I believe the kind of redress I seek is very clear.

Contrary to Mr. Sundahl's implication, I certainly did not argue for egalitarian federal R&D distributions, such as recently passed by the Senate (S. 881) and under consideration by the House (H.R. 4362). To me, the "Small Business Innovation Research Act" is repulsive, simply because it is not in compliance with the rule of law. If passed, the act will in fact establish yet another quota system.

Good Heavens, Good Book!

William Allen's scholarly review of Anne Wortham's book, *The Other Side of Racism* (Mar.), raises some interesting methodological points, but I fear his

(Continued on p. 62)

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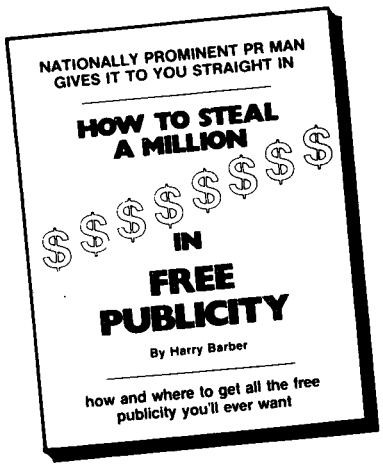
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brickbats

Look, Ma! No Hands! The federal government has determined that anybody has the ability to pump gas. The Occupational Safety and Health Administration is lifting its 11-year ban on nozzle latches, the devices that allow motorists to do whatever they want with their hands while the gas flows, unassisted, into tanks. Currently, those who pump their own gas must keep a hand on the cold, malodorous nozzles to keep the valve open and the liquid flowing. But a momentous decision such as this can't be made hastily. The agency will receive public comments and hold a public hearing before the radical change is implemented. Nozzle-latch-industry lobbyists probably had to wine and dine a battalion of bureaucrats for years to get this far.

Now that the hostage crisis is only a fond memory, and the war against Iraq is going well, Iran is getting down to the serious everyday business of trying to control costs. Families of execution victims are being billed for the cost of bullets used by firing squads, according to opponents of Ayatollah Khomeini. Payment is due upon receipt of death.

The US Border Patrol set up a roadblock on the main drag to Key West, Florida, to capture illegal aliens and drug smugglers. Traffic was backed up for 20 miles, and the tourist trade fell off. So the city fathers decided to secede from the United States and establish the Conch Republic. The new nation quickly declared war against the rest of the country and just as quickly surrendered. They don't raise fools in Key West. Officials figured that once the new republic lost a war to Uncle Sam, they'd be taken care of forever more with foreign aid.

Every time a resolution is introduced in Congress, no matter how foolish, the taxpayer has to cough up $1,300 for printing and distribution alone. If the sponsoring legislator makes a speech supporting his bill on the floor, space to print it in the *Congressional Record* costs another $475 a page. During the past year, bills have been introduced praising peaches, patriotism, bald eagles, and ballet. One congressman demanded a roll call vote on his measure declaring the fourth Sunday in October National Mother-in-Law Day. Roughly 700 such bills were introduced last year. As the old saying goes, "Small crooks go to jail. Big crooks go to Congress."

Number One is only second-best for pears, according to US Department of Agriculture labeling rules. The best pears are labeled Extra Number One. But for a peach, Extra Number One is a rather fuzzy label that means second-best. The top rating for peaches is Fancy. No wonder the government has printed three volumes totaling 1,700 pages to explain how the food labeling system works. Ever hear of the Truth in Lending Law? The USDA rules ought to be part of the Lunacy in Labeling statutes.

The US Postal Service spotted Seattle mail sorter Robert Green as a troublemaker right off the bat. Green sorted the mail just as quickly(?) as the other mail sorters, but with a decidedly antiregulation spirit. Green is left-handed, and Postal Service work rules clearly state that all mail must be sorted right-handed. Green was almost canned until his senator intervened and convinced postal officials that their salaries might be left right out of the next budget if this stupidity didn't cease. The Postal Service will move with all deliberate speed in implementing the new reformed regulations, which means that its employees will hear about the change sometime in the next decade.

Pop goes the boondoggle. William E. Smith, executive director of the Popcorn Institute, popped off the other day about what a crying shame it is that the government decided to drop its two annual surveys of popcorn acreage and production. The reports by the US Department of Agriculture cost $25,000 a year. Smith whines that the loss of government data could slow the growth of the industry. If growers don't know how much popcorn is produced, a glut or a shortage is possible. A shortage would raise the price of popcorn, and a glut could cause dislocation in allied industries, such as poppers and salt, Smith says. When, oh when will Reagan stop this senseless budget cutting?

Join the Army! Be one of the few, the proud...and the nearsighted. In Delaware, a bulldozer crew of the Army Corps of Engineers inadvertently plowed up and destroyed half of an eight-mile archeological site containing fossils 80 million years old. In Oklahoma, a gun crew at Fort Sill fired a wayward howitzer shell that exploded 150 feet behind a restaurant. No one was hurt, but coffee cups were tossed around and the impact left a crater. Both incidents happened on the same day. Hup, 2, 3, flaw.

—MARK EDWARD CRANE

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TRENDS

PLUGGING IN TO DEREGULATION

As we've reported previously (see Trends, Sept. 1981), many people are starting to talk about deregulating at least the production of electricity. But what kinds of institutions and practices might be needed in a competitive environment? That question is receiving intensive scrutiny these days at the MIT Energy Laboratory, the Rand Corporation, and other think tanks.

The basic idea is that there would be numerous buyers and sellers of electricity, in competition with one another, using the price system to allocate electricity. Today's computer and communications technologies would make possible sophisticated interactions among the participants—prices varying minute-by-minute based on changing costs, futures markets for quantities of electricity, and complex forms of interruptible service. The MIT researchers have coined a term for the "system" of participants interacting in the electricity marketplace—homeostatic control—and have produced, to date, 17 reports on the subject.

One prototypical market institution already exists in Florida. Called Power Broker, it's a computer-based system that utilities use to buy and sell surplus power. Once an hour, those utilities with excess to sell list their offerings with the computer. At the same time, utilities short of power put in bids. The computer matches up "bids" and "asks," making possible transactions that benefit both parties. According to Rand researcher Linda Cohen, Power Broker saved Florida utilities $50 million last year, cutting total electricity costs by two percent.

Increased efficiency is also the purpose of the other institutions proposed by the researchers—spot pricing, energy brokers, information consultants, and the like. Together, they would allow electricity users to get the best deal by utilizing market mechanisms instead of regulation. Even some regulators are enthusiastic about the idea. "Competitive forces would be sufficient that they alone could act as the regulators and efficiently assure cost control and responses to changing conditions and technologies," says John Bryson, president of the California Public Utilities Commission.

Even the British seem to be inching toward deregulation. The Thatcher government announced this spring that it will permit private companies to compete with the Central Electricity Generating Board in generating and selling electricity, according to the *Economist* (Apr. 3, 1982).

RESTRAINT OF TRADE REGULATOR

There are several signs that the Federal Trade Commission, known both for its extensive discretionary authority and for the vagueness of its statutory mandate, may have its powers cut back this year. An important reason for this is the FTC chairman, James C. Miller III. It is not a common practice for government bureaucrats to request publicly that the authority of their bailiwicks be curtailed, but Miller has done just that. The FTC has already had the scope of its powers reduced in the last few months, and Miller is advocating further reductions.

One Miller proposal with a potentially far-reaching effect would be narrowing the FTC's authority to decide what "unfair business practices" it may act against. Miller says the FTC should be permitted to act only against practices that cause substantial injury to consumers that can't reasonably be avoided, and only if the alleged unfairness isn't outweighed by benefits from the practice to consumers or competition. Consumer groups want no new restrictions on the FTC's latitude in this area, while the US Chamber of Commerce and other business interests are pressing for complete elimination of the commission's authority here.

With no visible support from advertising groups or any of his fellow commissioners, Miller has also testified before Congress that his agency's authority to challenge "deceptive" advertisements should be curtailed. "Virtually any ad can be found to be deceptive," he told a Senate committee, citing several commission proceedings in which he said the FTC had "unreasonably construed" its authority to challenge advertisers' claims. Among his examples were a claim by the California Milk Advisory Board that "everybody needs milk"; an ad claiming certain nylon socks "last forever"; and a General Motors ad citing *Road & Track* magazine's opinion that the Chevrolet Vega was "the best-handling car ever produced in America."

Interestingly, Miller has said that he "fully, strongly, and unalterably opposes" efforts to restrict FTC jurisdiction in one area, regulation of professionals. The FTC has already opened up the legal and dental professions to advertising, and on March 23, the Supreme Court upheld an FTC action that bars the American Medical Association from prohibiting advertising by doctors.

Miller's unwillingness to retreat from the FTC's position here has earned him the wrath of a number of professionals, most notably doctors, dentists, and optometrists who are leading a battle to remove FTC jurisdiction over professionals altogether. To that end, a bill cosponsored by Sens. James McClure (R-Idaho) and John Melcher (D-Mont.) would ban the FTC from policing any profession already regulated at the state level and would also nullify all past commission decisions governing professionals.

The occasion for the current debate on the FTC is a bill to reauthorize the agency. Other issues likely to arise in this debate include:

- paring back civil penalties for violation of the Federal Trade Commission Act, so that the FTC would be required to conduct separate investigations of every violator;
- restricting the FTC's antitrust authority to that of the Justice Department;
- defining more narrowly "deceptive acts and practices;" and,
- permitting a legislative veto of FTC rules.

The FTC's legislative mandate expires on September 30, but it is expected that the shape of the commission's future will have been determined in Congress this spring.

PRIVATE EYE ON SPACE

Conventional wisdom has it that one area of activity best left to the government is space exploration and research. Now, however, some enterprising scientists may be proving that wisdom wrong. *Science* magazine reports that "with luck and creative financing," a group of astronomers will soon be able to begin operation of Spacewatch—the first comprehensive automated search for asteroids that pass near the earth—using a small telescope on Kitt Peak in

Arizona...and private funding.

The project could offer a chance to learn more of the origin and evolution of the solar system, investigate the possibility that an asteroid impact killed off the dinosaurs and other forms of life at the end of the Cretaceous period, and lead to an early-warning system in which an asteroid headed for earth could be deflected with missiles. There is even a large possibility that asteroids could be mined: the platinum-group metals believed to be present in certain metallic asteroids might make an asteroid mining expedition economically feasible in the near future.

The National Aeronautics and Space Administration has always been enthusiastic about Spacewatch but will probably not be able to fund the project because of budget cuts. As a result, Tom Gehrels, one of the two principal investigators of the project, has been looking to the private sector for funding. "We're talking with the Planetary Society in Pasadena, the Space Studies Institute in Princeton, and the Space Foundation in Houston," he told *Science*. "The National Geographic Society has encouraged us to submit a proposal. A Japanese foundation may come in."

Spacewatch has even run an advertisement in the *Wall Street Journal*. It's a far cry from traditional funding sources for space exploration—and it may work.

FEDERAL ISN'T FRUGAL

Most "public services" are, in fact, monopolies. And as economists have long pointed out, monopolists tend to extract monopoly prices. Thus, it should be no surprise to find that government-produced services—garbage collection, fire fighting, etc.—cost a lot more than comparable services produced in the private sector. And that, indeed, is what numerous studies of local public services have found.

The same thing would probably be true of services produced by federal employees, reasoned economists James T. Bennett and Thomas J. Dilorenzo of George Mason University. And when they went looking for data, that's precisely what they found. Over the past few years the General Accounting Office has carried out seven studies that compare the cost of 17 federal government services with comparable private-sector services. Among them are ship repair, hydroelectric power, weather forecasting, debt collection, railroad track repair, and day care centers.

The findings, needless to say, were striking. Although Navy oilers are at sea only about 20 percent of the time, compared with 40 to 70 percent for commercial tankers, it ends up costing *four to eight times* as much each year to repair and maintain the government ships. The Navy's cost to repair individual shipboard items is *17 times* as great as that for commercial ships.

The comparison of federal versus private hydroelectric plants showed that the former use 48 percent more employees per plant, and their electricity costs 21 percent more to produce. Private railroad track repair crews produced nearly five times the output of Amtrak crews. Costs at federally funded nonprofit day care centers averaged $188 per child per month, compared with $102 for private-sector centers.

Moreover, these cost comparisons generally *underestimate* the cost advantages of many private-sector producers, note Bennett and Dilorenzo. Federal pensions, for example, are not fully vested and represent a large future tax liability. And the private firms' costs include taxes, licensing fees, and the costs of

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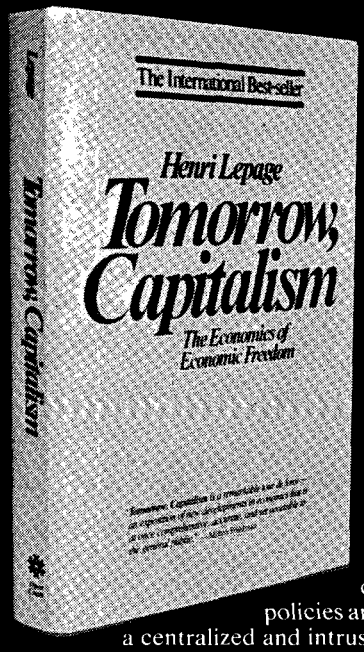

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compliance with government regulations—factors from which the government agencies are exempt.

In the face of such evidence, how do our politicians respond? One group, including Reps. Toby Moffett (D-Conn.) and Pat Schroeder (D-Colo.) has introduced legislation to *prohibit* the departments of Defense and Energy from contracting out fire fighting and security services. According to a representative of the Private Sector Fire Association, Defense and Energy account for 80 percent of all private fire-fighting services currently provided under contract. By contrast, Sens. John East (R-N.C.) and Sam Hayakawa (R-Calif.) have introduced a bill to require that no federal agency start or conduct any commercial or industrial activity to produce needed goods and services in-house when they can be obtained from private businesses at fair and reasonable prices. It will be interesting to see which of these two approaches prevails.

BOOSTING LASERS

If successful, space-based laser weapons could revolutionize US defenses, making possible a transition from offense-based nuclear deterrence to defensive dominance. But the government's present laser R&D efforts are fragmented and limited by minimal funding. Those are the conclusions of a major investigation of the subject by the General Accounting Office.

Current laser weapons research is divided among the Army, Navy, Air Force, and the Defense Advanced Research Projects Agency (DARPA). There is no laser weapons program office. Furthermore, under present funding constraints (about $150 million per year), a decision to conduct an orbital demonstration program to determine the laser system's feasibility as a weapon will not be made until 1987. A decision to deploy laser battle stations cannot be made until the feasibility demonstration is accomplished. Consequently, a full-fledged space-based laser defense system could not be operational before the year 2000.

According to recent briefings by intelligence officials, the Soviet Union is spending three to five times as much on high-energy laser efforts, including the development of an initial orbiting system. That initial demonstration system could be in place as early as 1983, and by the early 1990s the Soviets could have a large number of laser-armed satellites in orbit.

Ironically, US technology in many of the key components is far ahead of Soviet technology—including optical systems, sensors, miniaturization, and onboard computer capability. It is funding limits, not technology limits, that are restraining the US effort.

Consequently, the GAO recommends proceeding with development of a first-generation 10-megawatt space-based laser in order to prove out the technology as a complete weapons system. A 10-mw system would be effective against Soviet SS-20 intermediate-range missiles, Backfire bombers, and low-altitude spacecraft and would provide defense against limited numbers of ICBMs. To change the focus from component R&D to weapons system development, the GAO recommends creating a separate management structure for the laser weapons program. In addition, funding should be increased by several hundred million dollars a year through 1985, with larger increases thereafter, totaling $5 billion through the orbital demonstration phase. That sounds like a lot of money, but if it leads to a true defense against nuclear-armed missiles, it will be worth every penny.

INHUMANE WELFARE

A comparison of the experience of different states belies the assumption that welfare programs actually reduce poverty, according to a recent syndicated column by Warren Brookes. He argues that there is in fact a positive correlation between a state's unemployment rate and the level of welfare benefits it provides.

Brookes cites two specific examples. Texas, which has the lowest unemployment and fastest job growth of any major industrial state (and which is, not surprisingly, one of the few major states in which poverty has declined in the last five years) has the lowest welfare benefits and tax levels of the major industrial states. And Massachusetts, which at one time ranked 3rd among the states in its welfare benefits, 5th in its tax burden, and an abysmal 47th in its growth rate, has turned its economy around in the last four years in precisely the ways Brookes's figures would suggest. It held its benefits down until they declined in value to 15th place in the nation, and it cut the tax burden. Now, Massachusetts boasts a low unemployment rate second only to Texas's among industrial states; its economy is one of the five fastest growing in the country, and poverty in Massachusetts is actually decreasing.

Texas and Massachusetts are part of a larger pattern. Using federal government data, Brookes compared the 15 states with the highest welfare benefits and the 15 with the lowest benefits. He found that in 1978, the first group had a far higher percentage of their population on welfare (5.7 percent versus 3.6 percent), higher unemployment rates (7.0 percent versus 5.5 percent), and higher minority unemployment rates (12.3 per-

COMING ATTRACTIONS

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cent versus 10.6 percent). Moreover, from 1970 to 1978 the average job growth in the states with highest benefits was only 10.6 percent, compared with 46.6 percent in the states with lowest benefits; and the average personal income growth was only 17.1 percent, which pales in comparison with the 57.5 percent in states with lowest benefits.

As Brookes himself says, the statistics indicate that the "states with the supposedly 'inhumane' welfare benefits are providing much more vigorous economic opportunity and 'humane economies' than those who have been more 'generous.' "

AIRPORTS: CUTTING THE APRON STRINGS

Many major airports are in trouble. With air travel continuing its rapid growth (only briefly interrupted by the recession), 15 major airports are expected to reach saturation by 1985. Some have simply run out of room. But for most of them, it is *money* that's the problem. And that is leading airport groups, for the first time, toward breaking free of federal control.

Airports have several principal revenue sources. They charge landing fees, lease terminal and hangar space, charge parking and concession fees, and receive federal aid. The latter comes from the Federal Aviation Administration's airports and airways trust fund, whose money comes from an eight percent tax on airline tickets and from various taxes on aircraft fuel and tires. The airport managers' problem is that for the past decade or so, the FAA has been handing out far less in trust fund grants than it's been taking in from taxes. And because the FAA's air traffic control system is so badly out of date, the agency is spending an ever-larger fraction of the trust fund on that, rather than on aid to airports. The Airport Operators Council International (AOCI) estimates that trust fund grants will cover only 60 percent of needed improvements in the years ahead.

Consequently, support is growing for what once seemed like a radical idea: *defederalization* of major airports. The basic idea is to let airports opt out of the federal aid program. Participating airports would have the ticket tax reduced from eight to six percent and would be free to levy their own "passenger facility charges" to pay for their expansion programs. Voluntary defederalization was endorsed in March by both major airport groups, AOCI and the American Association of Airport Executives. If enacted, defederalization would be an important step toward making airports businesses, rather than dependents on federal largesse.

NEW AND IMPROVED POLLUTION CONTROL

Setting up a large bureaucracy armed with vast powers to enact rules is not a very good way to control pollution. Not only does it run the risk of imposing requirements whose costs are far out of proportion to their benefits; it also denies the rights of individuals to protection of their lives and properties via the courts. A more just and more efficient approach to pollution control would be radically decentralized, with a strong emphasis on transferable property rights and direct negotiation between parties. Those, at least, were the recommendations of economist Peter Aranson in *Instead of Regulation.*

Two small steps in the direction of such a system have been taken, one in Washington, D.C., and the other in California. The Environmental Protection Agency announced in April a major expansion of its market-oriented bubble policy (see Trends, June 1981). The idea is to treat an entire industrial complex or region as if it were covered by a bubble and to require only that total emissions from the bubble conform to EPA standards. Factories and companies within the bubble will be free to pay each other to reduce various emissions, making it likely that the required reductions

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Mr. Cooley has lectured nationally for 10 years on the rights of taxpayers, has appeared on numerous radio and television talk shows nationwi

"You can tell them to go jump in the lake; you can stand on your constitutional rights and tell them its none of their business if you want to," is what Federal Judge Oren R. Lewis told a taxpayer he could do when IRS petitioned the Court to compel the taxpayer to answer questions and produce his records. Of course the judge later explained to the taxpayer the proper phraseology to use when telling IRS "to go jump in the lake." He said: "You've got the perfect right to say, 'I refuse to answer on the grounds any statement I might make might incriminate me.' You've got that right." (*U.S. vs. Tecton*, No. CIV-80-1184-A, U.S. District Court, Eastern District of Virginia)

IRS admits that:

- **"An individual taxpayer may refuse to exhibit his books and records** for examination on the grounds that compelling him to do so might violate his right against self-incrimination under the Fifth Amendment and constitute an **illegal search and seizure** under the Fourth Amendment." (Confidential *Handbook for Special Agents*, Section 242.12)
- **"Good faith challenges** in the form of constitutional and other federally **recognized privileges** are of course **recognized by the Service.** For example, the privilege against self-incrimination under the Fifth Amendment may be a proper basis by an individual taxpayer for refusing to answer specific questions or to furnish his records." (Lester R. Vretz, Chief Counsel to the Internal Revenue Service, Congressional Record—Senate, August 2, 1967, page 20962)

"An individual taxpayer may refuse to exhibit his books and records for examination on the grounds that compelling him to do so might violate his right against self-incrimination . . ." — *IRS Handbook for Special Agents.*

Court cases reveal that:

- **"Only a rare taxpayer would be likely to know** that he could refuse to produce his records to IRS agents."
- **"The cooperative taxpayer fares much worse** than the individual who relies upon his **constitutional rights.**"
- "In numerous cases where the Internal Revenue Service has sought court enforcement of its summons pursuant to statute, **courts have held that a taxpayer may refuse production of personal books and records** by assertion of his privilege against self-incrimination."
- "Many persons have yielded [to an IRS Summons for production of records and testimony] solely because of the air of authority with which the demand is made.
- "All you needed to do is tell him [IRS agent] you wouldn't say anything or you wouldn't turn anything over to him and **keep your mouth shut,** and you didn't do that. Now, you have a constitutional right to do that."

In the late 1960's I read an article in the Congressional Record entitled "Rights of Taxpayers," which induced me to further research the subject. I learned that an individual taxpayer could indeed refuse to produce his records to IRS agents on grounds of self-incrimination; and that even an innocent taxpayer could end up in serious difficulty if he submits to a complete audit. Consequently, when some of my friends were confronted with IRS demands for production of their records and testimony, I showed them how to lawfully refuse the demands. And, in some cases where IRS sought enforcement of its demands in a federal court, the court, after reading the written memorandum of law submitted and listening to arguments, always upheld the right of the individual taxpayer to refuse to answer questions and the production of records. The resulting thrill experienced by these people was indescribable. The usual comment was that they would never fear the IRS again.

In the early 1970's I compiled all the instructions, examples, pleadings, memorandums and other material necessary to the proper pleading of the right against self-incrimination into a portfolio now entitled **"Audit Block Packet."** I've taken all the mystery out of it and many have used it successfully already. In the past 10 years the information in my packet has been purchased by thousands throughout the United States and its possessions, Canada, Panama, Arab countries, and ships at sea. Because of the urging of many of my friends throughout the country, who have encouraged me to advertise the material in the packet more widely, I now make this exciting information available to you. I will later tell you how you may obtain it, together with a very valuable free bonus, without any financial risk to you whatsoever.

Here are some **advantages of refusing an IRS audit of your records:**

- You can avoid harassing, time-consuming fishing expeditions, which can bring your business operation virtually to a halt or unprofitable slowdown for months or years.
- It would substantially reduce, for lack of evidence, the possibility of any criminal action being taken against you for violation of tax laws, or other regulatory laws, whether you are innocent or guilty—and make no mistake about it, IRS officials have said that "the innocent are as likely to be prosecuted as the guilty"; that "many taxpayers who had not thought of defrauding the government find themselves at trial, simply because the laws have grown too complex for the layman."
- Your private business affairs would remain more private, as the Constitution intended.
- You would be in control of the situation at all times—in the driver's seat. You will decide when, or if ever, or what portion of your records you will produce and what questions you will answer, if any.
- Feelings of exhilaration will rise within you because you stood up to, and prevailed over, the bullying tactics of IRS agents.

In my **Audit Block Packet** you will **get:**

- Detailed instructions on how to lawfully refuse an IRS audit;
- Transcripts and partial transcripts of IRS and court hearings wherein you can read for yourself the exciting episodes of how others lawfully refused to be witnesses against themselves in an IRS audit attempt.
- The proper legal papers and written legal arguments to file with the Court, if IRS ever seeks court enforcement of its demand for your testimony and records.

The most **stimulating and beneficial financial**

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RS MAY REFUSE AUDIT
VE DEMANDS OF INCOME TAX COLLECTORS)

: the author of *The Big Bluff, Tea Party 1976, Tax Slavery or Manhood,* and publishes a newsletter—*Tax Facts.* by *Marvin Cooley*

advantages of having the information in my **Audit Block Packet** is that you can represent yourself virtually cost free. And the most beautiful part is that no prior legal experience is necessary. Many have done it without help from an attorney. You will find it easy to follow the step by step instructions. You can fight back with little or no expense. Unquestionably, it has been the lack of knowledge and the financial means to defend themselves that has made it possible for the IRS to run roughshod over virtually helpless and bewildered taxpayers.

Just think of it, with my **Audit Block Packet** in your possession you can stand much, much taller and more menacingly before the IRS than a rich man with his expensive lawyer who is not informed in this area of the law.

Lawyers attend my seminars, order my packet, subscribe to my newsletter, and pick my mind. What they lack can't be learned in law school—its experience in tax war. I have it.

There are other big, big benefits to you from having the **Audit Block Packet.** You can use the legal arguments contained therein in any proceeding, whether federal, state, county, city, town or hamlet. I have, my brother has, my friends and others have. For example, I received a telephone call a short time ago from a man in California who was just bubbling over with excitement. He had just won his case in a state court in Sacramento. The judge told the lawyers—who were asking the court to compel him him to produce all his financial records—that they should know that the party who comes into court with the best prepared case always wins; that this man had the best prepared case and they could not compel him to produce his records or answer questions. This gentleman had just attended my seminar about a week before as a result of hearing some exciting statements I made on a television program he was watching. He purchased the **Audit Block Packet** at the seminar and represented himself at the court hearing without prior legal experience of any kind.

What most people don't know is that the right against self-incrimination must be claimed or it is considered to have been waived; and that it "manifestly protects the innocent as well as the guilty." If you waive it by not knowing how to claim it, you will be compelled to produce. The **Audit Block Packet** will show you how to claim it in proper legal form.

"The cooperative taxpayer fares much worse than the individual who relies upon his constitutional rights."

IRS was desperately trying to come up with something against a businessman in Indianapolis. They served over 20 summonses upon him, demanding the books and records of companies over which they alleged he had control. After using the instructions in the **Audit Block Packet,** the end result was that he produced no records or testimony whatsoever and collected over $400 in witness fees and travel expenses. Needless to say, he was tingling with joyous animation when he related to me over the telephone that "it works! it works!"

Even if you don't plan to refuse an IRS audit you owe it to yourself to be informed on the laws and your rights as a taxpayer. Then if IRS ever tries to push you around, you will know what you can do and how to counter punch with real clout. Furthermore, it is quite likely that you might need the information in a real hurry at some future time. I often get orders saying "please rush, IRS wants to audit me and I don't know what to do or say!" It's much better to have your mind and strategy prepared ahead of time.

A taxpayer in California, whom the IRS had been harassing, was seriously considering suicide. After reading some of my material, obtained from his friend, he wrote me a letter saying that it literally saved his life. The information gave him the knowledge and courage to stand up to IRS. You will know how to stand up for your rights too, when you get the information in the **Audit Block Packet.**

"Only a rare taxpayer would be likely to know that he could refuse to produce his records to IRS agents."

As a bonus for ordering my **Audit Block Packet NOW,** I will send you, under the same cover, absolutely **FREE,** a portfolio of information entitled the **Contractor's Packet,** which has been selling separately for $25.00. It shows businessmen how to do business without employees. It contains a discussion of the tests for determining contractual relationships between the worker and the business as opposed to employee-employer relationships. It contains a transcript of an interview with a businessman who has used the system for about seven years, and the recent decision of a court which upheld his contractual relationship with the people working for his business. It contains example contracts which show how to arrange the wording of a contract so as to meet the tests of independent contractor status for workers. Just think how exciting and beneficial this can be! To the businessman it means no more requirement to put up matching funds, withhold from wages, or to keep expensive bookkeepers, or buy expensive insurance; and no more OSHA or other regulatory agencies harassing you with inspections and controls because you have employees. You won't have employees anymore! To employees who convert to contractor status, it means no more withholding from wages, an increase in take-home pay, possibly up to 25%, claiming expenses as a self-employed person which couldn't be claimed as an empolyee, independence, self-reliance, and freedom to figure your own tax due at the end of the year. Either the employer or the employee can propose the change of status.

I will personally guarantee a refund of the full purchase price of the **Audit Block Packet** if you are not 100% satisfied that the material in both packets is all I represented it to be. Just return them undamaged within seven days after receiving them and I will promptly refund your purchase price with no questions asked. But you must **ACT NOW,** in response to this advertisement, to get the bonus.

To obtain your copy, write the words **Audit Block Packet and Bonus** on any piece of paper, together with your readable, printed name and address. Enclose with it a Money Order in the amount of $29.00 (price includes handling and First Class mailing) payable to, and mail it to: **Tax Facts Publishing Company, 525 East Baseline Road, Suite 201, Mesa, Arizona 85204.**

will be achieved at least cost. EPA expects the nationwide expansion of the policy to permit savings of more than $1 billion a year in compliance costs.

A more radical approach has been proposed by California Assemblyman Bill Leonard. Under a bill he introduced in January, the state's entire pollution control bureaucracy would be abolished. The bill states that a person has the right to be free from pollution and that those whose rights are violated may bring either individual or class action suits in an appropriate court. The bill would "reconfer upon our courts their common law function of defending persons and their property against harmful pollution," notes Leonard.

THE BENEFITS OF FREED TRUCKING

Back when the 1980 trucking deregulation bill was being debated, opponents charged that it would lead to dog-eat-dog competition that would squeeze out small truckers, cut service to small communities, and destroy the industry's profitability. A recent study of deregulation's first year, by Federal Trade Commission economist Denis Breen, thoroughly deflates these concerns.

What *has* happened, as expected, is a surge of new competition. In the first year of deregulation, 2,452 new firms entered the trucking business. The number of applications to the Interstate Commerce Commission for new grants of operating authority has soared, from as few as 6,746 in 1976 to 29,311 in the first year under the new law. And more than 95 percent of the applications were approved, compared with under 70 percent previously. In addition, the ICC has removed thousands of restrictions, allowing firms to handle two-way rather than one-way traffic, to make intermediate stops, to take the most direct route, etc.

The new entrants and greater freedom have led to extensive price competition. Discounts of between 5 and 20 percent off established rates are now commonplace. Even industry leader Roadway Express gave in last February, adding a 12 percent discount on small shipments to its established discounts on volume shipments. Lower prices have spurred trucking unions to reduce their wage and benefit demands so that their firms can remain competitive with the thousands of nonunion owner-operators now entering the market. Trucking profits *have* declined—but that's not surprising, given that many of the firms had virtual monopolies before deregulation.

The only problem seems to be the administrative resistance to deregulation under Reagan ICC Chairman Reese Taylor (see "Regulation Retread," REASON, Dec. 1981). Today's ICC is once again sharply limiting the number of commodities and the geographical territory in granting new operating certificates. And Taylor has asked Congress to beef up the required "fitness test" for new applicants; such firms would have to have both the financing lined up and the vehicles purchased in order to receive an ICC certificate—even though the commission could then deny the certificate. Such bureaucratic retrenchment illustrates the danger of mere deregulatory *reform*. If deregulation works, why keep the agency around to think up new mischief?

JAPANESE SELF-DEFENSE

Among the beneficiaries of the gargantuan US military budget has been Japan. Since World War II, Japan's so-called self-defense force has been severely restricted in its size and activity, with most of Japan's defense provided by the United States.

The relationship between the two countries, formalized in the 1960 US-Japan defense treaty, has been a mixed blessing (or mixed curse) on both sides. On the one hand, the US military sphere of influence is kept wide, and the United States has access to bases only 700 miles from Vladivostok; on the other hand, we devote huge amounts of money to defend a prosperous country fully capable of paying its own way (this coming year, the United States is spending $216 billion on defense, around seven percent of its GNP, while the Japanese are spending only $11 billion, under one percent of their GNP). Small wonder that, when Defense Secretary Caspar Weinberger recently asked Japanese Defense Agency Director Soichiro Ito that within this decade Japan assume responsibility for defense of its own sea lanes out to 1,000 miles, Ito rejected the proposal and maintained that the Japanese are already doing quite enough on their own behalf.

But in fact, some Japanese are dissatisfied. They suggest that their country's arrangement with the United States relegates Japan to being an American protectorate. In the last few months, a group of prominent Japanese politicians, businessmen, and academics have formed a group named the Committee of 100 (although it already has more than 180 members) that calls for revision of the 1960 US-Japanese treaty so that Japan might strengthen its own military.

As new as the Committee of 100 is, the *Economist* reports that the group is already proving an embarrassment for the Japanese government. The chief cabinet secretary, Kiichi Miyazawa, has already said that the government is well satisfied with existing defense arrangements and has no intention of proposing a revision of the security treaty. Prime Minister Zenko Suzuki has said the same in parliament.

The *Economist* asks, "Will Japan ever move?" Meanwhile, REASON asks, "Will the United States ever move?"

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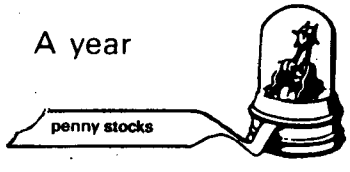

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LICKING THE POST OFFICE

The demand for quick, reliable postal service is steadily increasing, which is why the United States Postal Service is losing more ground to private competitors. The long lines endemic to most post offices and the USPS's erratic, unreliable performance are making the postal business more and more attractive to entrepreneurs.

Among recent noteworthy develop-

ments in private postal service is the Paseo Mail Center in Camarillo, California. Angered and frustrated by having to wait in long lines at the post office, an electrical engineer named Scott Adler decided to start his own "post office" last November. In addition to selling stamps and renting out mail delivery boxes, the Paseo Mail Center, for a small fee, accepts first- through fourth-class mail, parcel post, and registered and certified mail, as well as packages for United Parcel Service, Federal Express, and Trans-box. Paseo then delivers this mail to the appropriate service, saving customers the hassle of multiple destinations or waiting in line.

The center has evidently been a resounding success. It was turning a profit after only three months of operation, and within the next four months, Adler plans to open similar mail centers in three more California locations. He hopes to franchise centers in 1,500 cities over the next three years.

A big reason for Adler's success is the use of a computerized Orbitron scale, which calculates the rates for sending a package via each of the four carriers Paseo handles, so that a customer can weigh his alternatives. Paseo has also virtually eliminated long lines through the use of back-up personnel to service customers when business gets brisk.

The private air-express delivery business is also thriving. Market analysts point to the growing need for speed and reliability in package delivery, particularly of items in fast-growth industries such as medical products, high technology, optics, and robotics, as a major reason for the current boom. Two companies already well established in the market are Federal Express, which led the competition last year with net profits of $59.3 million, and Purolator Courier; but there is a flock of newcomers, including Airborne Freight, Burlington Northern Air Freight, Emery Air Freight, Flying Tigers, United Airlines, and United Parcel Service.

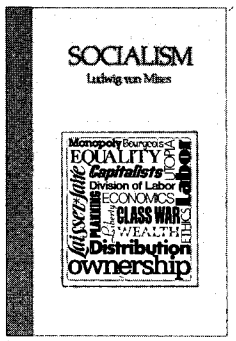
Western Airlines went into the overnight delivery business in February as a sort of modern-day Pony Express. Like the horseback-rider system of the 1860s, Western issues its own private stamps. Affixed with a Western $1 stamp and a USPS 20-cent stamp, small packages and envelopes can be posted at a drop-off office from which they are transported to a Denver sorting center, then conveyed to their final destination. Unlike other express services, Western transports the mail only to the destination city, where it is turned over to the local post office for ultimate delivery (hence the USPS stamp).

The Postal Service, observing a tradition of doing too little too late, is setting up a system called ECOM, which stands for electronic computer-originated mail. The system consists of 25 post offices with equipment that can receive electronic data and then transmit letters via private or commercial telecommunications systems to the post office where they are printed out, stuffed in envelopes, and hand-delivered as local first-class mail to the final destination.

There are serious problems with ECOM from the start. For one, although the Postal Service suggests that in most cases ECOM will deliver a letter more quickly than if it were sent first-class, faster delivery is not guaranteed. Second, the $40-million system cannot stuff more than two pages into an envelope, nor can it insert any auxiliary material such as brochures and return envelopes, which are extremely important to the direct mail businesses targeted by the USPS as potential customers.

Finally, even if the shoddy ECOM edifice does not collapse on its own, the Justice Department may bring it down.

LibertyPress
LibertyClassics



Socialism

By Ludwig von Mises

A praxeological and economic analysis of society comparing the results of socialist planning with those of free market capitalism in respect to property, equality, law, science, religion, morals, race, democracy, the state, utopia, war, slavery, monopoly, competition, labor, capital, the family, marriage, and other issues.

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The department's attorneys have argued in US District Court that the USPS is not even authorized to run ECOM on a permanent basis, since the Postal Rate Commission gave permission only for experimental ECOM service. The Justice Department's case was supported by statements from the Postal Rate Commission itself, two private telecommunications companies, and three senators, Paula Hawkins (R-Fla.), Jesse Helms (R-N.C.), and Steve Symms (R-Idaho).

The District Court has handed down a decision saying it lacks subject matter jurisdiction in the case, but it suggested other avenues the Justice Department might pursue. The department is expected to decide by July how to proceed with the ECOM case at this point.

Meanwhile, there is increasing sentiment for ending the historic monopoly of the USPS on first-class mail. The same three senators involved in the ECOM litigation have sponsored a bill to repeal the private express statutes that ban private companies from delivering first-class mail. In a recent survey of small businesspeople, the National Federation of Independent Business found 72 percent opposed to the private express statutes and only 22 percent supporting them.

A DECENTRALIZED MONETARY SYSTEM

A new argument has been raised in favor of the idea of circulating gold and silver coins: the vulnerability of our present monetary system in wartime. Writing in *Gold Standard News*, economist Joe Cobb has pointed out:

> *With just one small atomic bomb on New York, an aggressor could knock out the electronic banking system of the United States. The stock and bond markets would cease to trade, and paper credit would be of dubious value. . . . The weakest link in the chain—the electronic networks that today transfer debits and credits across the nation—would stop.*

Although the government has lots of gold and silver salted away in Fort Knox and various mints, this hard money would be unavailable in a crisis. Cobb's point is that if this gold and silver were widely dispersed throughout the economy in the form of circulating coins, there would be a backup monetary system ready to swing into action in time of war or other calamity.

This national defense argument is now being raised in support of various coinage proposals before Congress. A bill to implement the Gold Commission's recommendation for a bullion-weight gold coin has been introduced by Rep. Ron Paul (R-Tex.) and Sen. Steve Symms (R-Idaho). Precious-metals analyst Charles Stahl predicts an enormous demand for the proposed American Eagle coin, rivaling that for Krugerrands. *Newsweek* has quoted Treasury Department officials as predicting the sale of nearly 20 million ounces worth of coins in the first year—about eight percent of government gold stocks. At $375 per ounce, that would bring in $7.5 billion in revenue to reduce the deficit.

The American Eagle would not be legal tender, though it could be used in payment of private debts, according to Treasury Secretary Donald Regan. But the gold and silver coins proposed in two other bills—the Free Market Gold Coinage Act and the Free Market Silver Dollar Act—*would* be recognized by the government for the payment of taxes and debts. Both bills would allow minting of the coins by private firms, which would increase the number actually produced.

Even the General Accounting Office seems to support the idea of a decentralized money system. In a report titled "National Defense-Related Silver Needs," GAO says a silver bullion coinage program should be considered as a way of reducing excess silver in government stockpiles.

ZODIAC ZAPPED

Two cheers, at the most, for Michel Gauquelin. The director of the Laboratory for the Study of the Relations between Cosmic Psychophysiological Rhythms in France has just published a study that found no correlation between the character traits of 2,000 successful people and the signs of the zodiac under which they were born.

Gauquelin assembled 52,188 character traits from published biographies of 2,000 Europeans, including sports champions, military men, actors, artists, politicians, scientists, and writers, and tried to correlate them with the personalities attributed by eight astrology textbooks to the signs of the zodiac. The Gauquelin study also took into account such complicating factors as the moon sign and the rising sign, as well as the sun sign.

According to Gauquelin, the correlation between personality traits and zodiac signs was no greater than would have been predicted by chance. "It's an ideal proof," Gauquelin told the *Los Angeles Times*. "What can I do more?"

Unfortunately, however, Gauquelin is now working on another project arguing that there *is* a link between the position of the planets at the time of a person's birth and his future professional career. Gauquelin contends that successful athletes, for example, are more likely than other people to have Mars either rising or setting at the time of birth.

As charming as Gauquelin's theory may be, perhaps the last word belongs to Kendrick Frazier, editor of the journal that published the work on the zodiac: he observed that it is not unknown for a scientist to do very good work in one area and very poor work in another.

MILESTONES

• *Privatization supported.* Sen. Paul Laxalt (R-Nev.) has endorsed economist Steve Hanke's proposal to privatize federal grazing lands by giving existing holders of grazing permits the right of first refusal to purchase them (see Hanke's article on p. 43 of this issue).

• *Plea Dropped.* In early April, Idaho Gov. John V. Evans signed into law a bill eliminating the plea of mental illness as a defense in criminal cases. Most states have a welter of laws for determining whether an accused person is mentally ill according to conventional definition, and special punishments masquerading as "treatment" if they are. Idaho's new law should help eliminate the injustice there.

• *Lawbreakers Paying.* California's program for compensating victims of violent crimes, the nation's oldest program of its kind, is now being paid for entirely by lawbreakers. Because of new state anti-crime laws that provide for increased fines, a projected $12.7 million will now be put into the indemnity fund, making it completely solvent without a nickel of taxpayers' money for the first time.

• *MD Ads Okayed.* The American Medical Association and local affiliated physicians' groups must obey a Federal Trade Commission order to end all ethical standards that restrict doctors' advertising. In March, by reaching a tie 4-to-4 vote, the Supreme Court automatically upheld a lower court's ruling in favor of the FTC's order, after it had been appealed by the AMA.

—ROBERT POOLE, JR., AND PAUL GORDON

The Viewer Is the Loser!

Cable technology promised a TV revolution, but politicians and monopolists prefer business as usual.

BY TOM HAZLETT

Nobody thinks of drawin' the distinction between honest graft and dishonest graft. . . . There's an honest graft, and I'm an example of how it works. I might sum up the whole thing by sayin': "I seen my opportunities and I took 'em."

Just let me explain by examples. My party's in power in the city, and it's goin' to undertake a lot of public improvements. Well, I'm tipped off, say, that they're going to lay out a new park at a certain place. I see my opportunity and I take it. I go to that place and I buy up all the land I can in the neighborhood. Then the board of this or that makes its plan public, and there is a rush to get my land, which nobody cared particular for before.

Ain't it perfectly honest to charge a good price and make a profit on my investment and foresight? Of course, it is. Well, that's honest graft.

—George Washington Plunkitt.
circa 1905

Look at that pathetic prefabricated cube sitting there in your living room. All those wires, transistors, electrodes—and to what high purpose? BJ and the Bear

Photographs by Joyce True

chasing CHiPs for a glimpse of Farrah Fawcett's hair or Donahue's smirk or Loni Anderson's "profile" or Tom Snyder's haw-haw-haw-haw so Real People can Be a Pepper and say Hello Larry on the Love Boat. Is this the *best* substitute for a little dose of some late-night sleep-inducer?

Perhaps your mind has wandered to a far-off land, where a dapper Latino and his pint-sized deputy sit you before what looks in every respect like *your* television set—until you turn it on. "Wow!" you say (but not, "That's Incredible"). For you find, not two to seven channels of the kind of programming that gave the boob tube its name, but scores of simultaneous program choices, of programs that only a *few thousand* people are expected to watch; and you discover at your fingertips a mysterious two-way communication capability to use this machine as a home security system or to shuffle money out of your savings and into your checking or to pick up a few shares of IBM or to vote some rascals into office. Only on *Fantasy Island*?

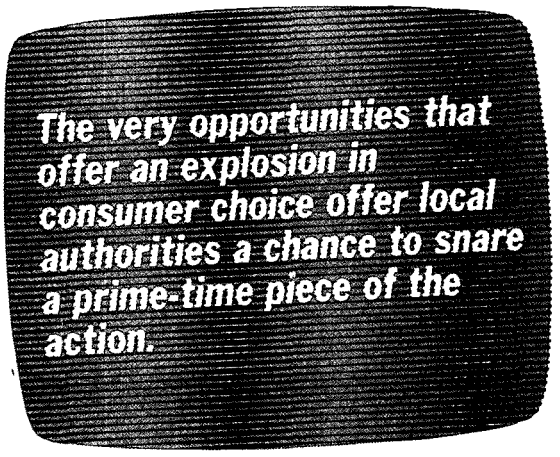
If you're one of America's 18 million cable television subscribers, you know better. But what you, and the three-quarters of the nation's television victims who do not get cable, might not know of is the enormous battle over cable television *off* stage. Because every facet of cable—who provides it, who gets it, what you see, and what you pay—is the prize in a frantic scramble by big-time political interests in every city hall in America. From Pittsburgh to Houston to Los Angeles, the cable television business is proving that a brilliant consumer-pleasing innovation is only as good as the political system it serves.

The Shape of the Era to Come

When one samples the delicious menu cable is cooking up, it is easy to see the records being made in the race to feed. The cable technology bonanza has ignited the creation of whole networks to deliver nonstop sports (ESPN and USA Network); 24-hour news (Ted Turner's interesting Cable News Network will soon be challenged by Westinghouse Broadcasting); first-run movies (by several firms, including Home Box Office, Showtime, and Movie Channel); la-di-da cultural events on no less than five ritzy networks (including CBS Cable, ABC Arts, and Bravo) that have already swiped, by outbidding, half of PBS's national programming (including the highly acclaimed BBC menu); a batch of old-movie stations; exotic/erotic programming stations; an educational all-children's service without sex or violence (Nickelodeon); an Italian-American network that broadcasts movies starring Marcello Mastroianni, Sophia Loren, and Gina Lollabrigida; Black Entertainment Television; Spanish-speaking networks; and even channels where representatives of consumer product manufacturers are invited to demonstrate and discuss their goods for 5 to 30 minutes at a time.

And entertainment is but the opening volley in the cable revolution. As *Fortune* magazine notes, "The television set will eventually do other things besides sit there passively, waiting to be watched. Companies are already testing data-transmission devices and energy-load management systems that will all be hooked up through the TV set by cable. If properly instructed, your set may soon be capable of turning on your washing machine at 3:00 A.M., when the demand for power is low. Indeed, as the expansion of television continues, these last thirty years may be nostalgically remembered as those days when the television set was just a television set."

Two-way transmissions now in production will permit thousands of voters in a community to cast ballots simultaneously on local referendums or other issues, and


The very opportunities that offer an explosion in consumer choice offer local authorities a chance to snare a prime-time piece of the action.

systems now in limited use bring home security service, in conjunction with a private security firm in the neighborhood, into a new generation altogether. The "electronic cottage" hi-tech world will, as reported in *Business Week*, "fundamentally change the way people shop, bank, work and communicate, since it will permit them to do all of these things without leaving their living rooms. They will be able to call up on their video screens the news on any selected topic, as well as a wide variety of continuously updated information on such subjects as airline schedules, and stock and commodity prices."

Cable TV systems require wires to be strung throughout the audience area from hub receiving stations that capture signals from satellites. These cables connect individual television sets to the cable system just as phone lines connect your telephone to Ma Bell's circuits. Traveling either below the ground or above, often utilizing existing telephone or utility poles, these lines ordinarily deliver the customer between 30 and 110 channels.

(Over-the-air pay television, on the other hand, emits signals from a transmitter placed in the locality and "descrambled" by an electronic receiver that plugs into the television set and must be bought or rented from the local "subscription television" (STV) company. Pay television channels are sold one at a time and are generally limited by regulation to only one or two channels in each market area. And finally—if we can ever use that word in *this* industry—there is the ultrarevolutionary, super-space-age, mega-hip innovation just now peeking around tomorrow's corner: the direct broadcast satellite (DBS), whereby the individual customer can purchase a parabolic dish antenna for a couple of hundred bucks and tune in *hundreds* of television channels (perhaps more?), direct from where only space shuttles roam.)

It is regulatory manipulations, however—a complicated labyrinth of incentives and disincentives—that will, when all is said and done, steer the course of the era to come. This direction will not be *planned* by but will definitely be *influenced* by the political agencies: while changing the course of the technology, the "authorities" still have little idea where their hands-on policy will take the industry and even less appreciation of the forces of science and consumer demand that will compete with their wishes in determining this unknowable outcome.

Popping the Chains at the FCC

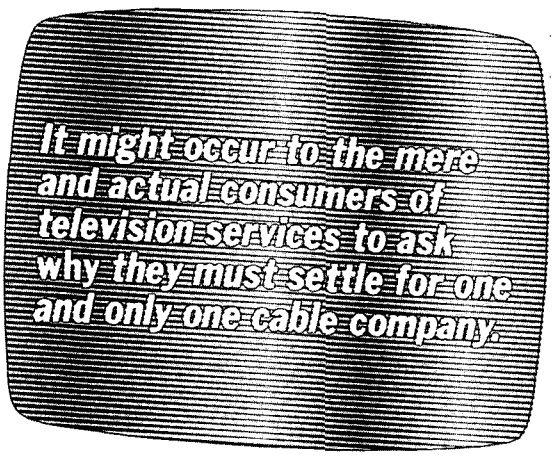
There are two broad layers of regulation in the cable TV industry: local and national. Each cable franchise must gain the approval of the local jurisdiction in which it operates; on a national scale, the Federal Communications Commission (FCC)

must decide what the various communications services will be allowed to do and not to do.

The national market is subject to the actions of Congress and federal regulatory agencies. The FCC has territorial "rights" to regulate the emerging technologies and has acted with characteristic energy and foresight in exercising those rights. Their first move in this field was to throttle pay TV for a decade. Between 1968 and 1972, for example, the FCC buried cable (or prohibited companies from burying *their* cable) in the 100 largest metropolitan markets and slapped on such burdensome requirements (including a ban on movies that were less than three years old) that cable was grounded almost everywhere else, as well.

In a delicious irony, however, the FCC now has taken the lead, along with that great political fund-raising group, the US Congress, in *pushing* cable deregulation and television competition. In an FCC study released in late 1980, the agency found that efforts to introduce higher-quality programming and greater diversity through direct federal regulation of television had failed. The two-year, 3,700-page investigation conceded that FCC policies had "served effectively to limit television to a system dominated by three over-the-air advertiser-supported networks." Commission Chairman Charles Ferris responded enthusiastically: "We should actively use these findings as mandates to encourage more competition and new services; in short, to create more choices for the viewing public."

Ferris, a Carter appointee, has since been replaced by Mark Fowler, a Reagan appointee. And it is Mr. Fowler's concurring opinion that, where his predecessors began the task of "deregulating," he will finish the job by "unregulating." The FCC has recently loosened the rules governing over-the-air pay television, for example; is beginning to license low-power TV stations; and is talking, over network opposition, of


It might occur to the mere and actual consumers of television services to ask why they must settle for one and only one cable company.

unleashing direct broadcast satellite.

The great lure for the national deregulators is the rich cornucopia of product that awaits. Considering solely the entertainment aspects of the medium, television has long been the turf of none but the most subterranean of intellects. Nothing intrinsic to the electronic box as television set mandates this, however. What has short-circuited your TV set's foray into the world of high drama has been the FCC soldering of the wires.

TV critics often mistakenly attribute the forum's antisophistication to the commercial ownership of the companies who provide the offerings. But Shakespeare sells well in the book stores, as do lesser literary virtuosos, and these saints of the homogenized aesthete simply burst forth in every other *commercial* medium that has escaped regulatory strangulation: newspapers, magazines, movies, plays—even AM/FM radio, which the FCC has grasped, but not completely gagged.

The Great Leap Forward taken by cable technology is to expand our number of programming options radically beyond the point where FCC restrictions on VHF, or even UHF, channels can have much impact. The difference between 3-channel service under the FCC's restrictions and 50 channels under cable's New Possibilities technology is nothing other than a dramatic reduction in the *opportunity cost* of using up any one channel. When consumers have but three choices, a network that broadcasts Luciano Pavarotti at the Met is throwing away the opportunity to keep tens of millions of customers watching some lesser, more broadly appealing, fare. Big audiences are still important with the 50-channel option, and the most production money will characteristically be spent on the highest-rated shows, but *opportunity* costs are a fraction of what they were. Using one station for opera becomes feasible when it does not have to outbid all but *two* competitors; now it only has to outbid all but *49. Reader's Digest* is top 3; *Psychology Today*, top 50—deregulation *is* diversity.

Science, in short, has de-FCC'd television. As one city official familiar with the new technology puts it, "Cable TV's success lies in its ability to provide steak and specialty foods to smaller numbers of people in numerous categories," as opposed to the "McDonalds and Jack-in-the-Box" fare of the network big three. The message is so compelling that the federal regulators—always the last to know—have caught the spirit and now rush to pop the chains and free the competition.

Competition the Political Way

Yet, with the future so well received by the feds, the dividends from this space-age fantasyland on the end of your TV's "on" switch are being pilfered at the *local level.* The very opportunities that offer an explosion in consumer choice offer local authorities—and those who have pull with the authorities—a chance to snare a prime-time piece of the action. Just as the FCC has abandoned its restriction of output, local governments have jumped in to fill the "void" with their own.

The cable franchise permit is the *how.* While most localities do not issue "exclusive" franchises, they do issue only one. They call it a nonexclusive franchise so that they have the option to issue another "nonexclusive" cable license should the first company not perform to specifications, but the understanding, always implicit, is that no other will be issued unless a serious breach occurs. The reason, incidentally, that one must have a city or county permit to put in a cable system is that such a project entails digging below public streets or stringing cable on utility poles. It is from their jurisdiction over government-owned streets and rights-of-way, not by any authority over the provision of television services, that the locals are permitted to permit.

It is only recently that a tiny shadow of a doubt has been cast over this power to regulate. In January the Supreme Court threatened to upset the applecart with a decision that the city of Boulder, Colorado, may be sued under federal antitrust laws for holding up a cable firm's planned expansion. But the last word is not in yet: a lower court is still to decide whether the Boulder city council actually winked at the antitrust edifice in this instance.

The cable industry has been mute about the decision—but not the city pols. Within days, the National League of Cities had raised cries of outrage and promised to run straight to the state capitals or even to the US Congress to obtain relief from the Supreme Court position.

Why the fuss? All the uninitiated bystander need do, in order to understand the locals' panic at the idea of having the

regulatory rug snatched from under them, is to look at the "competitive" process by which franchises are awarded.

Let's listen in on one such award hearing: for the Scottsdale, Arizona, cable franchise ("nonexclusive," naturally), October 17, 1981. Held at the Scottsdale Senior Center, the hearings pit eight fierce competitors against one another. They have all submitted their bids to the city council, and the council staff has made its ratings and recommendations. Today, the task for each competitor is to respond to these findings and to sell the cable committee on the merits of *the best* proposal.

There are a lot of blue suits in this room, and, as could be expected, where you find blue suits you find lawyers, lots of lawyers. Most of these lawyers come from far away, but they all seem to know the local community, and to know—and work with—a lot of people who *are* the local community. In fact, the *Scottsdale Pilot*, only two days prior, boasts a big advertisement for Capital Cities Cable: "Meet Our Local Stockholders," it beams.

The public is invited and, as always, the "public" is in attendance, sort of. *Representatives* of the public are in attendance, that is, and they can ravage an applicant. To wit:

QUESTIONER: You show (in the franchise application) only six hours of local programming per week, which is considerably lower than any of the other applicants.

APPLICANT (Times-Mirror Cable): Yesterday (a city official) told us that nobody watches it. Times-Mirror says that the demand just isn't there right now. If the demand were to rise, we would up our local programming.

QUESTIONER (different from before): Do you mean that you would increase your programming if it would help sell more subscriptions?

TIMES-MIRROR: Yes. If there were an interest in this, we would be right there to expand our coverage.

Times-Mirror did not win the Scottsdale franchise. And how could they? They weren't even playing in the ballpark. Scoring in the cable monopoly game works just as in any other in the economic marketplace: goods go to the highest bidder. But make no mistake about the difference between bidding for consumers with actual product on the barrelhead and bidding for a franchise monopoly with a "proposal for community service." In the former, consumers view the competition and volunteer their dollars for the selection that they believe fulfills their own needs. The political franchise authority, however, gets to make quite a different choice: What company's offer *should* the citizens of my community want to pay for?

And so it is that local government regulation does not eliminate competition in the cable business; it simply shifts the competitive battleground. Instead of outdoing one another to entice customers, firms fight to lure the politically powerful. The rivalry is just as intense, but it leads to a vastly different set of demands being satisfied.

A Not-So-Natural Monopoly

Before viewing the high drama of the political competition for a monopoly franchise, an intermission is in order. For it might occur to the mere and actual consumers of television services to ask *why* they must settle for one and only one cable company. Must the coming of cable be as a monopoly franchise?

While the important word in this question appears to be *monopoly*, the key word is, in fact, *franchise*. The presumption of local regulators is that cable is, by its technical circumstances, a "natural monopoly"—the high capital investment makes it uneconomic for a second cable company to compete in an overlapping market. Even if this is so, however, it does *not* automatically mean that a *franchise* should be granted to the monopolist. The industry argues for such a grant on the grounds that, absent an exclusive entitlement, the necessary investment capital would not be forthcoming. On the other hand, the same industry sources claim that, for a second firm, the costs are not justified by the returns from being number two, meaning that the market would only support one cable firm per area, and a de facto monopoly is assured. So why must we enforce a monopoly where monopoly is a certainty?

If the logic appears shaky, the empirical test of the proposition is devastating. The necessary and sufficient counterexample to the hypothesis is visible for viewing in the metropolis of Phoenix, Arizona. Dissatisfied with the one "nonexclusive" cable franchise it had issued in 1976 to American Cable Television—the firm had failed to connect more than a small percentage of the city to the cable—the city council voted in June 1980 to allow two more firms into the market. Cross Country, Ltd., and Camelback Cablevision eagerly jumped in to compete head-to-head with American—established with a four-year head start. ("Natural monopolies" are presumably immune to such upstart rivalry.)

Another nearby city, Paradise Valley, also dissatisfied with American Cable's progress and service, decided to invite Camelback Cablevision to compete in offering subscriber service, and it has now laid cable there on the very *same* streets as American Cable. Nationwide, better than 25 cities have head-to-head cable competition. Must cable companies be given monopolies to induce them to lay cable?

(One need not be a ruthless cynic to understand why local officials would argue in favor of their regulating cable TV content, prices, service, and the rest, but the industry argument for monopoly franchising is a thinly veiled plea for protectionism. Regulation is the ever-popular quid pro quo for acquiring monopoly rights. One particularly brassy cable company executive told me that he favors "deregulation" of cable television. When I asked if he thought such open competition would be good for the industry, he unabashedly corrected me: "No, I'm talking about removing the ability of local governments to *regulate*; I am not talking about repealing our monopoly franchises." Quite a "deregulation.")

Bruce Merrill, president of American Cable Television in Phoenix, remains bitter, outspoken, and angry over the city's decision to allow competition within the franchise area. Two city council members championed competition on the theory that monopoly is bad for consumers. Merrill, however, claims that, even though he received a "nonexclusive" franchise, allowing two more cable companies in the market is ill-conceived. "It's destructive and nonproductive," he feels, "and eventually there will be only one cable system anyway." He boasts that his firm is sure to out-perform the others and, ultimately, buy them out. So why not determine this winner-take-all contest by open, market competition? "Do you use swords or pistols?" rejoins Merrill.

The question is anything but rhetorical. For, while the eventual winner of the bloody cable-fest may be the same under either the exclusive franchise arrangement or the free-market rivalry method, the means to the end will be diametrically different. In fact, the essential reason why Mr. Merrill lost his "understanding," as he puts it, that his 15-year franchise would be exclusive is that the permit, issued in 1976, was close to a no-strings agreement. American did make minor concessions to the city of Phoenix, including provision of a two-way energy communications system; but the firm had lit-

tle incentive to offer more because there had been *no competition* to *obtain* the franchise. It was Merrill's misfortune that, because he was so far ahead of his competition, the city was unable to force him to promise much in the way of politically demanded cable services. The monopoly he got was not one he shared. That was Mr. Merrill's sin.

Divvying Up the Dividends

Do not waste time scrounging the cable industry for those who "ideologically" favor open competition. Any such rotten eggs have long since been sorted out by the selection process of the market. (One can imagine the amazing number of successful franchising operations such a matador would bag, lecturing city councils on the need for competitive enterprise and the supremacy of consumer demand.) What all local politicians who regulate cable and all firms who provide cable "believe" in is: The Community. The proud advertising display of the US Cable corporation (not to be confused with the equally patriotic American Cable Television), provides but one example:

In every neighborhood, town, or village—where US Cable is granted the franchise—the community is all. The company reserves channel after channel for strictly local programming, welcoming the participation of the best talents around—community leaders, artists, entertainers, educators, newscasters. Whatever is happening nearby—a high school band concert or track and field event, a students' play, local council meetings, a holiday parade, every kind of civic event—is wired right into our subscribers living room.

But, while The Community may be all, the important citizens who get to decide *on behalf* of that community have some definite ideas about who all is to count as The Community. The "average citizen" (you know the sop) is denounced at franchise hearings as "one of the 99 percent who only care about their movies and sports," and the chosen representatives, of course, are out to get something quite distinct. The Scottsdale hearings show what "Community" means to them.

Take, for instance, the proposal of Camelback Cablevision. Camelback was not chintzy. An "executive summary" of its proposal runs to 22 pages and is elegantly produced in glossy, multicolored artistry on the outside and slick, well-groomed copy on the inside. The presentation is smooth and professional, explaining the proposition of cable monopoly so surefootedly that even a city council member could comprehend it. Beginning with a citation from Alvin Toffler, the pitch wastes little time on what Camelback's 104 channels might serve the *viewers*; by page five, we embark on the section, "Camelback and the City of Scottsdale in Partnership." At this point, were this presentation transmitted via cable, we'd be ransacking the other 103 channels for a program of interest.

Here the would-be monopolist dishes out huge portions to The Community. The kitchen will be "a fully equipped $400,000 local origination studio in North Scottsdale" and a "$140,000 mobile production unit with 2 color cameras (and) a staff of 27 operational and technical personnel." And the menu—what a meal! "Programs on Scottsdale history . . . candidate debates during (local) election campaigns . . . local news shows . . . fire prevention and safety programs . . . musical programs presented by Scottsdale musical groups and societies." Who will do the cooking? A board of directors with, as Camelback puts it,

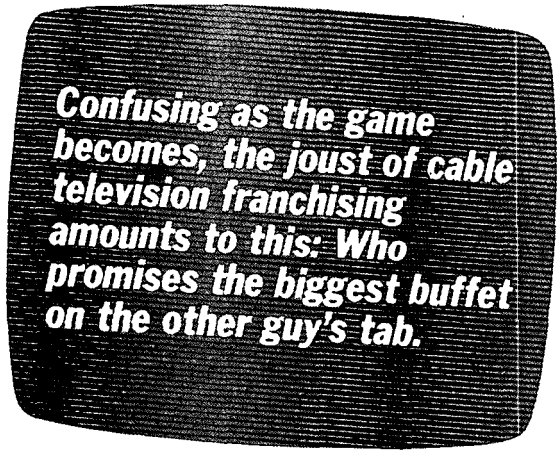
representatives from various segments of the Scottsdale community as follows:

Religion
Education (Two)
Social Service
Health
Business-manufacturing/retail/service
Hospitality-tourism-motel/hotel
City Government
Public Service (fire/police)
Chamber of Commerce
Arts
Members at Large (Two)

Their budget? A cool $26 million over the course of the 15-year franchise, as compared to a 3-year capital cost of $31 million to build the whole system.

Don't turn the channel, because there's so much more! A "professional arts/cultural channel" will broadcast all the culture occurring in Scottsdale. In case of any lulls in activity at the Scottsdale Center for the Arts, roving minicams—blessed with $225,000 in supersonic videotronics, courtesy of the Camelback philanthropists—will be aimed at local art galleries to stir up those pesky little cultures residing in The Community.

Beyond this, way beyond, stretches Camelback's 104-station commitment (although, it may fairly be noted, this is strictly conditional, for the deal's all off if Camelback loses its *monopoly* interest in The Community). They take us to new, oxygen-


Confusing as the game becomes, the joust of cable television franchising amounts to this: Who promises the biggest buffet on the other guy's tab.

thin heights with such contributions as whole channels checked for Public Library Access, Senior Citizens Access, Cultural Interconnect, Youth Access, Business Access/Professional Arts, Health Access, Public Schools (2 channels), Community College (2), Arizona State University (not even in Scottsdale), Educational Access (2), Women, the Christian Broadcasting Network, and Local Government—with "interviews of City staff explaining their various department functions, services and office hours" or "Mayor/Council Breakfast programs" or "Question & Answer 'call-in' talk shows with the Mayor, Council Members, and City staff members." Is the reception getting clearer? Is the picture coming into focus?

Now no one will seriously argue that *none* of the foregoing services are without justification from the perspective of those consumers who will shoulder the burden of subsidizing them. Indeed, some of the above (particularly the Christian Broadcasting Network) have proven their ability to accrue revenues in excess of their costs (also known, somewhat more earthily, as "profits").

Yet the undeniable pattern that takes shape under cable regulation is that, taken as a whole, breathtakingly vast harvests of plump cable fruit are being plopped on the tables of the politically ravenous. In an almost divinely created conspiracy against the *public* interest, a very private "public interest" is being decided by a triumvirate of the potential cable monopolists who must offer the fruit if they are to go from potential to actual, the political decisionmakers who may choose the recipient of the franchise monopoly gift, and those well-placed, well-connected individuals who desire to be an active part in The Community. The politicians have their own tastes and preferences, naturally, and would try to indulge them, but they do not operate in an isolation chamber. They have their constituencies to accommodate, such as the movers and shakers in Religion, Education (Two), Social Service....

Anticonsumer Coalition

Cable TV may have lowered the costs of television air time; it has not reduced the costs of television air time to zero. Each channel sliced and diced from the community for The Community is one less by which the paying viewers will be treated to what they would in fact pay for. The regulations prompting cable systems to shift resources to political pressure groups that are unwilling to bear the costs by outbidding competing consumers for the use of such resources is clearly a wealth transfer. It is a tax, in the first part, on those who pay to support the cable's profitable services. It is a tax in the sense that consumers are prevented from patronizing other firms that might offer, in their view, better cable services at a more reasonable price. This is a monopoly tax. Some of the "tax" revenues are deposited by the cable operator, and the rest are sent right over to The Community via provision of the very services that they would like to utilize but aren't quite willing to pay for (at least not so long as they can get someone else to do that for them). Confusing as the game becomes, that is all there ever is to the joust of cable television franchising: Who promises the biggest buffet on the other guy's tab.

So rock-solid is the sympathy and support for the abstract concept of "programming for senior citizens" or free air time for the "Chicano Orphans Association" that one cable regulator claims she has "never heard anybody stand up and say we didn't need public access channels." At the very same time, she paradoxically observes that "I have heard people say that they've had public access in their town for five years, and nobody has come in to use it."

Recent franchising battles have seen political pressure to "correct" this situation by increasing the franchise's ante in the form of more-expensive, more-sophisticated production equipment. Cable franchisers now "bid" against each other with all kinds of fancy studio and "roving" television production units to make local origination/public access easier. But keep your eye on the bouncing ball. Those production facilities *will* be paid for, not by viewers of the channels they create programming for (else the firm would offer these services in the absence of any franchise approval process, which they do not), and not by those who receive the facilities for the asking (taking?), but by those who pay monopoly rates for other programming.

The coalition thus established to press for the massive cross-subsidy from those who pay for movies and sports to those who perform on the "local origination talk-shows" is a coalition made in politico-heaven. The cable industry solidly supports the system: with a commitment to lose money on services the political interests demand, the cable corporations receive a monopoly rate of return on the profitable services that the overwhelming majority of television viewers desire. The local pols love the offerings laid at their door: channels devoted to

the county tax collector explaining his appraisal techniques, thousands of dollars of "free" TV equipment to publicize (incumbent) legislators' activities, putting politicians in front of television cameras.

Top this coalition off with the third, and perhaps decisive, link in the chain of consumer bondage: the "community activists." The fabulous thing about this obscure phrase is that while *you* may have a dickens of a time figuring out who speaks for your community, the cable operators have achieved an absolutely fool-proof way of deciding *precisely* who they are. They go out into the community and offer to put certain groups on the tube for free; the ones who volunteer, *they* are the community activists. (And if they weren't particularly active before, why they'll become really active now, as lobbyists—er-ah, *concerned citizens*—to encourage the council to approve your franchise.)

Nothing much is subversive about this procedure, and nothing whatsoever is in the least bit mysterious. If your firm is attempting to lay claim to a gold-mine cable franchise, what better way than to buy off all the local pressure groups with bountiful promises of much of the product you lust to deliver? The one small catch is that someone will pay for your largesse.

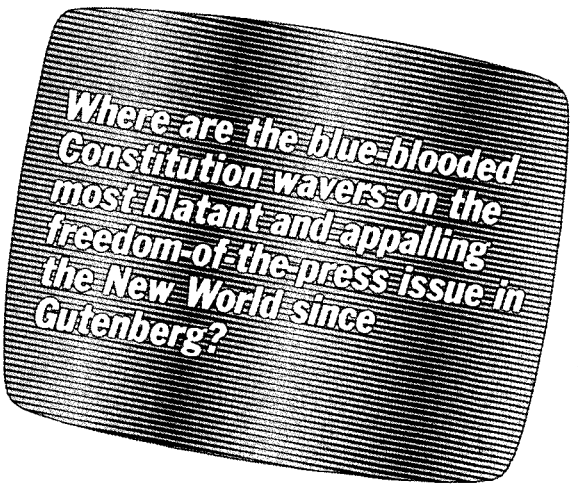
Tuning Out the Customers

While virtually every major market in the nation that has cable has only one cable firm per geographic area, one may search the industry high and low for anything approaching a coherent *pro-consumer* explanation as to why. Mr. Merrill, the president of the lost-monopolist American Cable in Phoenix, adamantly insists that "I don't have to defend that (monopoly) logic. It is almost universally accepted that there be only one cable franchise." When asked to explain this in his own words, he responds, "It would take too much time."

Yet Merrill did find time to discuss his competitors' inconsistency on the topic: Camelback Cablevision is a warm proponent of competition in Phoenix, where they've broken ground in competition with Merrill's American; but when Merrill went into Mesa, Arizona, in 1978 to obtain a second franchise to compete with Camelback, Merrill says, "They opposed me bitterly." (It is also curious that Merrill, who argues for the impossibility of competition, was himself attempting such an impossibility in Mesa.)

Just how prominently consumers figure in the great franchising game can be seen in the reaction to several recent events. In Boston, a bitter franchising competition was won last summer by Cablevision Systems Development Corp., which promised to offer 52 channels to 240,000 Boston TV sets for a bargain-basement $2.00 per month, far less than the $8.00, approximately, that most systems charge for the basic monthly service. The firm openly hopes to sell lots of extra entertainment and news channel subscriptions to recoup its $93-million, 3½-year capital investment.

The franchise award has been attacked, however, as a gimmick: Cablevision Systems, it is charged, will be able to hold up the city for higher rates once they've established themselves as the sole cable operator (the low rates are only guaranteed for the first 5 years of the 15-year franchise). "The low offer was just so that they could get one of the last remaining urban franchises," says industry analyst Anthony Hoffman of A. G. Becker, Inc. "Five years down the line, the people of Boston will be paying as much as they would have paid Warner-Amex (a competing applicant). But Cablevision will have the last laugh, because it got the franchise." The odd note here is, if the consumers save lots of money but it only lasts for five good years, after which they pay what they would have to someone else, why they are seen to be suckers preyed upon by the low-ball bidder who sneaks the "last laugh"?


Where are the blue-blooded Constitution wavers on the most blatant and appalling freedom-of-the-press issue in the New World since Gutenberg?

In Indianapolis, too, consumers have been dropped from the picture. After two "nonexclusive" franchises were awarded for nonoverlapping sections of Marion County, Indiana, in 1981, one of the competitors who didn't get a franchise decided to lay down big bucks on a bet that it's not economically impossible for a second cable company to compete once the first company is established. Robert Schloss, general partner of Omega Satellite Communications, approached the owner of a large apartment complex in Indianapolis who had the option of hooking up with the approved cable firm. Schloss offered the owner a competitive cable package delivered via an on-site "earth station."

Schloss figures he can profitably install such a receiver for a building of 300 units or more. High-density neighborhoods where a row of apartment buildings of even modest size are bundled together offer exciting competitive possibilities with just this technology, because cable firms can compete for business *one building* or row of buildings at a time. Soon, Omega had 2,000 cable customers.

As usual, the snag to competition was city hall. After city workers last December discovered a secret cable that Omega had inserted through a drainage culvert to connect the systems of apartments across the street from each other, Omega was slapped with an order to back off. Schloss was told to "disconnect his cable," as one newspaper put it, "or the city would save him the trouble." Schloss is now challenging in the courts the city's power to enforce the cable franchise monopoly agreements.

In its own defense, the city charges that firms like Omega simply want to come into the area and "cream-skim" by offering competitive services at low prices to the cheaper service areas (the high-density apartment complexes). The line of reasoning becomes all too transparent. If apartment dwellers find themselves cheaper to serve with cable, why should they be forced to pay higher prices to subsidize the relatively affluent homeowners? With this argument, the city is baldly supporting a cross-subsidy wealth redistribution scheme to prevent poor renters from taking advantage of the benefits of competitive cable.

But this is simply the underlying rationale for *all* of cable's misguided franchise finagling. When Federal Judge Cale J. Holder ruled in March that he would not grant a preliminary judgment in Omega's favor, it was a victory for the politicians of Indianapolis and a grand defeat for the cable customers who live in apartments, who don't partake of city council meetings for cable broadcast, who would just like to use the cable at a reasonable price for their *own* purposes.

Entertaining Politics in L.A.

If the battle for cable franchising is mostly a question of "honest graft"—over-the-table extortion sanctioned by the high-minded principles of "The Community"—the game can also be played beneath the table, or at some questionable latitude where the line and level appear very murky. Take the current competition for the South Central Los Angeles franchise, a predominantly black population center roughly the size of Pittsburgh, Pennsylvania.

When the franchise was first considered by the Los Angeles Department of Transportation (which regulates cable under a 1927 statute that, before television was invented, somehow applies to cable broadcasting), the actual franchise area was much larger than South Central Los Angeles. But in late 1979 and early 1980, the city government took action to slice the territory into thirds: Boyle Heights, Wilmington-San Pedro, and South Central. What happened from then on is a classic in the annals of New Technology and old-time politics.

Three firms were interested in the new, revised, South Central franchise. One was American Television and Communications (ATC), a division of Time, Inc. ATC did not offer a bid directly but instead set up Center City Cablevision, Inc., a company *created* to obtain this one franchise. To this end, the civic-minded capitalists at Time, Inc., thoughtfully gave away *20 percent* of the stock of newly formed Center City to the following organizations: Special Service for Groups (4 percent), World Christian Training Center (3 percent), Westminster Neighborhood Association (3 percent), Los Angeles Links (3 percent), Sugar Ray Youth Foundation (4 percent), and the Gathering's Economic Development Committee (3 percent).

The Time, Inc., franchising department may simply have been clipping its program outline from old copies of *Fortune* magazine, for months before this L.A. consortium was concocted, the business journal wrote:

In contesting desirable markets, cable companies approach each franchise very much the way the politician approaches an election, mapping a strategy, outlining the key issues, and recruiting influential supporters. One of the most widely used tactics is what is known in the industry as the "rent a civic leader" approach—a large cable company will invite a group of local citizens to help it form a local cable company. Local interests usually control 20 percent of the new enterprise. The large cable company keeps the rest and agrees to build the system if the franchise is awarded. . . .

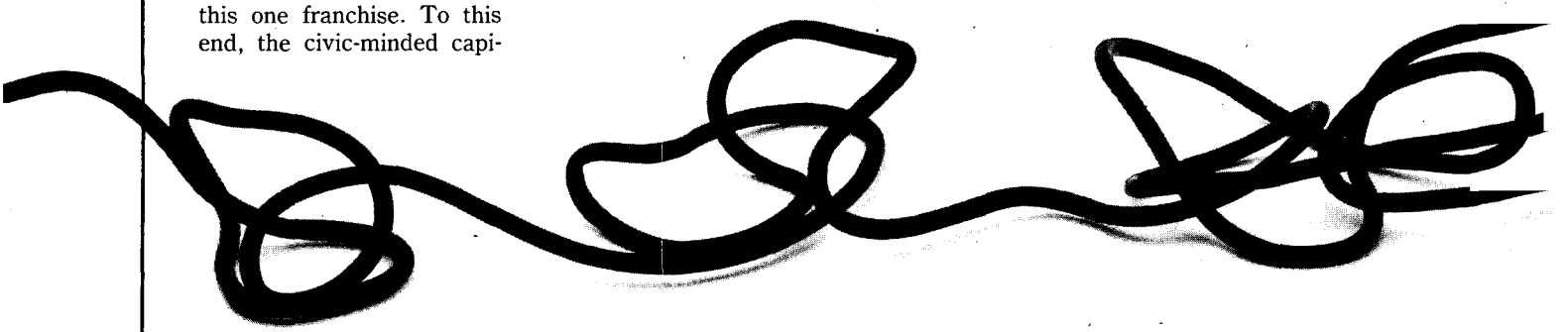
In Fort Wayne, Indiana, ATC's local partners included the organizers of an educational-TV station and a group of black ministers. Cox Cable, which is about to become a subsidiary of General Electric, allied itself with a local cable company that already had the franchise for the surrounding county. Cox Cable's partners apparently had more clout—it won. Henry Harris, the former president of Cox Cable and now head of Metrovision, a joint venture with Newhouse, thinks that "having the right *local people is 80 percent of the game."*

The next interested party was Community Telecommunications (CTI), a 1979 creation of some investment capital from a Washington-based MESBIC (Minority Enterprise Small Business Investment Company, a federally subsidized private corporation). A black-owned firm, it boasts of shareholders like Sidney Poitier (22.5 percent) and directors such as actor Brock Peters, religious notable Bishop H. H. Brookins, and former city council aide Channing Johnson, who also serves as the firm's corporate counsel.

Johnson, an articulate black attorney with far-reaching business and political contacts in the South Central area, is a most controversial figure. The storm centers on his previous employment: he once functioned as a key deputy to Los Angeles City Councilman Robert Farrell. Farrell was instrumental in dividing the South Central franchise into three districts, and he did so for an avowedly racist rationale. As he declared to the *Los Angeles Times* in August 1981, "It's important that a black-owned company get the award, not just another honky group that wants to get into L.A. and make a profit."

The move to divvy up the franchise was central to this race-conscious motivation, as both Johnson and Farrell freely admit. And Johnson further acknowledges that he personally spoke in favor of the regulatory change before public hearings at the city Transportation Department in November 1979. In the spring of 1980, just a few months later, Johnson had quit his city council staff position and was working full-time for CTI.

Is there a conflict of interest? Johnson replies with characteristic shyness, "Hell no—if I owned *stock* (which he does not admit to) it wouldn't be a conflict of interest." There is a one-year prohibition on former city employees appearing before a city agency representing a private firm on any matter they were involved with as a city official. But, as CTI director and corporate counsel, Johnson does not appear before *city* agencies, so he is clear of the statutes. "I am clearly not an agent of



CTI with respect to their franchise effort," states Johnson. "The city attorney has confirmed that there is no conflict of interest."

Dr. Carl Galloway doesn't quite see it that way. Galloway is president of South Central CATV Associates (CATV). Formed by the merger of black-owned Universal Cable (60 percent) and the nationwide Six Star Nielsen Cablevision (40 percent), CATV is the third competitor for the franchise. CATV may have flunked its political science test altogether, for it is the competitor that has consistently had the most trouble with city hall.

Galloway's Universal Cable was originally known as Ebony Cablevision when it was formed by the late Edgar Charles in 1972. Its purpose was to produce greater television programming for blacks. In early 1980 the name was changed to "Universal" and its program redirected to appeal to a broader ethnic audience.

According to Galloway, who is also a practicing physician, Universal first went to Councilman Robert Farrell's office in mid-1979 in hopes of gaining the South Central cable franchise. Farrell turned them over to his then-deputy, Channing Johnson. Universal laid out its plans and discussed the prospects for the cable system. But Johnson, Galloway claims, stole their game plan, worked with Farrell to gain the necessary regulatory changes, and then quit the council staff in January 1980 to work for CTI—Universal's new competitor.

By the time the Transportation Department staff was ready to rank the three franchise applicants, Universal was in third place, with ATC-Center City first and CTI second. Dr. Galloway is anything but reluctant about telling you why: "It wasn't an issue of who could provide the best service—it was, 'Hey, can we get a piece of the pie.' " Further, he reveals that, as public relations gimmicks and as political payoffs, he was discreetly told to hand out shares of his firm to influential groups that weren't even in the cable business. "Our attitude from day one was that *we* were going to build this system, and if you want to get one-third of it, you put up one-third of the money and you take one-third of the risk," he recounts. "We didn't play ball because we were talking about a business deal. These other people had the idea that they had the right friends."

In what may well have been a breach of several antitrust statutes, fellow black city councilman and Farrell ally David Cunningham told a meeting of the two black-owned firms in May 1980 point blank: a merger between them would increase their franchise chances. In September 1980, an aide to Los Angeles Mayor Thomas Bradley, William Elkins, told a gathering of key black business leaders that a merger of the two companies was necessary for "community integrity."

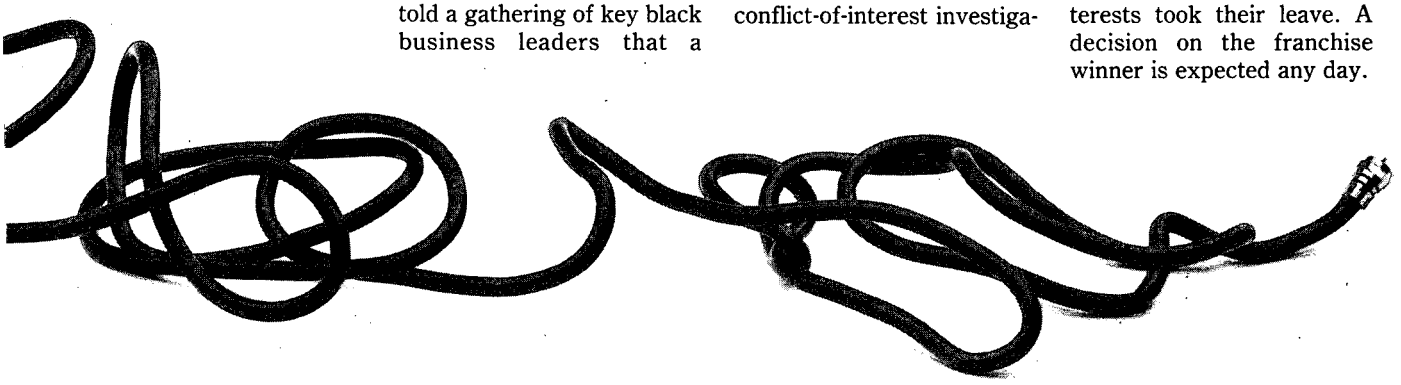
At the same meeting, according to reports published in the *Los Angeles Times*, Elkins claimed that the white-owned ATC would get the highest staff recommendation and that both black firms might want to merge with *it*, in that such a conglomerate "might produce the strongest bid." As Farrell warned, "If I were ATC, I'd worry about my chances to get the final award without taking on more black participation." Mr. Plunkitt may rest assured that Tammany Hall is an equal opportunity employer.

The upshot for Galloway is that, when push came to shove, he mistakenly shoved back. "Think if someone came up and said they wanted half of your car and you said, 'Are you going to pay for it?' and they said, 'No, but we've got some friends...' That's just what we're up against. Maybe we've been missing the point of all those gangster movies."

One point that Channing Johnson seems to have missed is the conflict-of-interest code. John Haggerty of the Los Angeles City Attorney's office flatly rejects Johnson's claim that he has been cleared of any potential wrongdoing. "I was asked very general questions," says Haggerty of his contact with Councilman Farrell and Channing Johnson. "It is not true that Channing Johnson has been cleared in a conflict-of-interest investigation." Is Johnson currently under investigation? The City Attorney's office is not able to confirm or deny inquiries of this kind, says Haggerty.

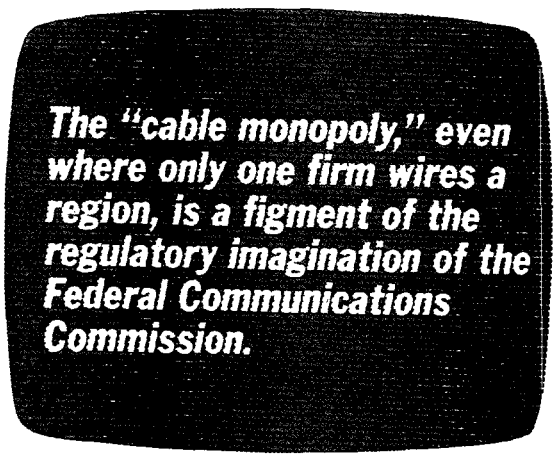
But when asked for an interpretation of the city's conflict-of-interest statute, Haggerty reveals that, where a former council staffer was "personally and substantially involved" in a particular policy formulation, there is a blanket prohibition against that person *ever* acting as an agent or lobbyist on behalf of a firm affected by such policy. Contrary to Johnson's assertion, this prohibition is not limited to formal appearances before city agencies. The only disputed point would seem to be: Did Channing Johnson, after he became general counsel at CTI, talk to anyone at city hall, his previous place of employment, about the franchise application that would either make CTI very rich or leave them bankrupt?

In the meantime, the white-owned ATC has dropped out of the running, and the two black firms are in the stretch run of a very bitter race. It has taken on somewhat classic political overtones, in that many of the partisans on the city council and in the mayor's office got involved in the franchise battle, they said, only to assure the involvement of minority businessmen. When the field was narrowed to two black-owned competitors, however, none of the political interests took their leave. A decision on the franchise winner is expected any day.



The only thing approaching a real pro-consumer argument among the forces in favor of monopoly franchising is the claim that the "workmanship" on competitive systems, such as those being constructed in Phoenix, will suffer and, the story goes, will make everyone very disappointed several years from now when they deteriorate to the unserviceable. While this contention's ingenious impregnability to any actual test of the facts is to be admired, what we can say about the experience in competitive Phoenix contradicts it.

Competitors were licensed to enter the market against American because the latter firm was thought to have "dragged its feet" on constructing its system. One city councilman, Jim White, claims that because American Cable had both the Phoenix cable *and* Home Box Office over-the-air pay-television franchises, the firm was in no particular hurry to build a cable system to compete with its already-established monopoly. Complaints of sloppy construction, a prime concern of local governments, have overwhelmingly been about American Cable, the established firm, rather than the upstart competitors. According to Terry Parker, cable communications officer for the city of Phoenix, "American gets a tremendous number of complaints," while "Camelback's work is excellent."


The "cable monopoly," even where only one firm wires a region, is a figment of the regulatory imagination of the Federal Communications Commission.

Parker views the competitive market, after the city's practical experience with the system, as a reasonable way to do business. "When I first heard of us letting new companies into Phoenix to compete with American," she admits, "I thought, 'Why would anybody want to go against an established cable TV company?' But these new firms are out to make money, and they're not stupid—they're coming here because there's a market."

As for the chaos of competition, Parker really hasn't seen any. "There have been no gunfights in the streets," she remarks. "The newspapers ran headlines like 'range wars,' but that has not happened." Crews from rival firms have actually laid cable on opposite sides of the street—without firing a single shot.

For the most part, Phoenix cable construction, which has still reached only a small portion of the city's 270,000 households, is proceeding in nonoverlapping sectors. While no one knows what will take place when the entire city is wired with cable, one cable per neighborhood, it is too early to rule out head-to-head competition. Limited areas have already seen this, in a half-mile-square section of Phoenix and in suburban Paradise Valley. So strong is the industry presumption that overlapping competition is economic disaster that both Cross Country and Camelback, in gaining their Phoenix licenses, assured the city that they would *not* "overbuild," as it's called in the industry. A Los Angeles cable consultant, Carl Pilnick, however, cites a recent trend for aggressive companies to challenge existing franchise holders, especially the older companies that received their licenses before the big cable boom, in competitive clashes. But some just cannot conceive of this, including American's Bruce Merrill, whose heart will always and forever belong to monopoly, at least in the long run: "I think we will remain dominant and buy the others out."

If we may take him at his word, then, there is no *economic* reason to keep competition limited to hearings before city council operatives and a great number of *political* considerations for avoiding this intense sort of "opportunity-seeking behavior." While Merrill cries that "there's no way they'll ever get the politics out of it," he ignores the underlying reason for the politics in it: *politicians* do the choosing. Consumers, who will pay the tab, get stuck with the choice.

The procedural shenanigans around the nation in awarding these franchises have often reached the point of outright scandal. More than one politician is on the line for damages over conflict-of-interest charges, one cable operator is in jail for bribing city officials, and more socially acceptable forms of bribery—like a potential franchiser in an eastern city flying the city council out West to see its other franchise, with a "pit stop" in Las Vegas tossed in—are nearly the order of the day. In Los Angeles, a current franchising battle illustrates the byzantine politics called forth by cable a la monopoly (see sidebar, p. 32).

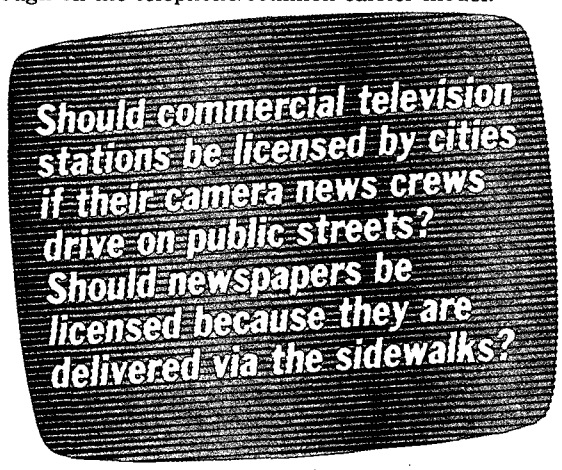
Will the Future be Unleashed?

The silliest shame of all, the catch that will make the more-enlightened generations far in the future howl with delight when told of our folly, is that there is no "cable monopoly"—not in any *economic* or *technological* sense. The "cable monopoly," even where only one firm wires a region, is a figment of the regulatory imagination of the Federal Communications Commission. For *if* the FCC were simply to license a few thousand more commercial television stations for "low power" use (meaning local, not to interfere with distant signals), *if* they were to license 5 or 10 STV channels in each city, *if* they were to allow DBS broadcasters to compete for a share of the electromagnetic band, *if* they were to allow telephone companies to compete with cable firms in the cable business (isn't *this* a controversial one), and *if* cable franchises were to face actual or potential sources of competitive entry—then one *could* talk of a "cable monopoly." But one can also *talk* of unicorns.

Before the lynch mob riles the entire cast of FCC villains out of their government shrines and on to the gallows, however, it may be interesting to probe the depths of the FCC's conscience. If the press releases are to be taken seriously, the FCC has decided to throw its chips down on competition but is getting some mighty fierce stare-downs from the champions of regulation. Item: When the FCC proposed to drop almost all STV regulation, "public interest groups," according to the *Los Angeles Times*, jumped in with the complaint that it "would make it much more difficult to monitor the performance of individual stations." Item: When CBS and NBC applied for DBS permits, ABC ran to Washington with a formal complaint. Item: When AT&T announced an experiment in offering an electronic version of its Yellow Pages, sports news, weather forecasts, a community bulletin board, and other services, a group of newspaper publishers geared up to block the test. Then there is the National League of Cities, whose spokesman in a *New York Times* interview derided Sen. Robert Packwood's telecommunications deregulation bill as "a meat ax for cutting local government out of any effective regulatory role in pres-

ent or future cable franchises."

And why, indeed, not? For reasons of consumer choice, for reasons of depoliticizing the wunderkind of modern telecommunications, and—let us break the thunderous silence—for reasons of freedom of speech. Where, oh where, are the civil libertarian howls for the First Amendment? Where are the blue-blooded Constitution wavers on the most blatant and appalling freedom-of-the-press issue in the New World since Gutenberg? At the local level, they're all down at city hall, extorting "amendments" for "public interest broadcasting" in special clauses of the cable monopolists' contracts. Michael Gatzke, a San Diego attorney who deals in cable franchise litigation, says no more than the stark, raving apparent: the cable franchise is "no different than if you granted a franchise to the *Los Angeles Times* to be the sole distributor of newspapers in the city of Vista." But the American Civil Liberties Union has just gotten around to "reviewing its position" on cable TV—a position in favor of monopoly franchising, although on the telephone/common carrier model.


Should commercial television stations be licensed by cities if their camera news crews drive on public streets? Should newspapers be licensed because they are delivered via the sidewalks?

Meanwhile, in one of the many ironies of the cable revolution, it is a "conservative" group—the Mountain States Legal Foundation, famous for its defense of property rights and for once having been presided over by James Watt, now of Interior secretary fame—that has taken up the cudgels for the First Amendment. After the Supreme Court in January sent the case of *Community Communications Company* v. *Boulder* back to a lower court to determine whether the city regulators of Boulder had violated the antitrust statutes in denying CCC's request to expand its existing cable services in that city, the Mountain States Legal Foundation (MSLF) petitioned the court to intervene in the case on First Amendment grounds.

City officials, notes the MSLF, view cable TV as a natural monopoly that must be regulated by the award of exclusive franchises "pursuant to express conditions established by the City including program content review." And so it is arguing that such an award violates the First Amendment rights of Boulder residents by denying them the opportunity "to receive the widest possible spectrum of programming and communication from competing cable operations."

The First Amendment has also been raised by Robert Schloss of Omega Satellite Communications, challenger to the right of the city of Indianapolis to bar cable competition. While the court refused to grant a preliminary judgment in Omega's favor, the judge did set a September date for a full hearing on what he labeled "numerous constitutional issues and alleged statutory violations." Yet he did not personally appear impressed with the modern imperatives of the Bill of Rights. "When a television operator uses the public ways to deliver his message, disruption of the streets, alleys and other public ways necessarily occurs," he wrote. "Accordingly, some form of local government permission must precede such potentially disruptive use of the public way."

It may legitimately be asked how governments are allowed to assume such enormous power over the *content* of television programming with such pedestrian encroachments on public resources as Omega's underground cable—undetected for months and only discovered by city workers by accident. Should local commercial television stations be licensed by cities if their camera news crews drive on public streets? Should newspapers be licensed because they are delivered via the sidewalks?

The opportunities appear so vast and the constitutional imperatives seem so clear that one can very easily get caught up in the fantasy of our rich cable future, of Toffler's "cottage industry," of the Met on nightly, of unheard-of improvements in the "quality of life," of security systems that make crime problems just another nostalgia trip, of environmental goods and energy savings. But as the *idea* of cable entices, the wolves of politics growl.

Every current proprietor of monopoly privilege will fight to the bone to keep tomorrow's world from destroying today's special license. Should the FCC and the Supreme Court rule in favor of free and open communications competition next Tuesday, the stock value of great corporations would plummet; the stock-in-trade of powerful political empires would evaporate. Cable, as opposed to over-the-air or satellite technologies, may have one super monopolistic advantage: it requires construction crews to chip at our streets and staple our poles and to apply to local governments for permission to do same. Could so trivial a fact hold one enormous technology up for ransom?

If the past is any guide, we must be brave with the answer. "As viewers of American television flip across their dials in search of something they would like to see," observed economist Robert Crandall of the Brookings Institution a few years ago, "they are silently mocked by seventy-five or more channel demarcations where their sets do not respond. Instead of many choices of program, they must reconcile themselves to three, four, or perhaps, five." Is this a bitter scarcity imposed by the technical limitations of man's grasp of nature's forces? "The real reason," noted Crandall, "has little if anything to do with electronic phenomena—with either a shortage of channels or, as some would have it, the inherent inferiority of UHF. Rather, the limitation exists because of the FCC's desire to make sure that viewers are offered a big dollop of edification with each swallow of entertainment no matter how edifying the edification or how entertaining the entertainment." By artificially limiting the number of broadcast licensees, the FCC has intentionally "created substantial monopoly power—monopoly power which is by no means inevitable given the available spectrum and the technology that can be applied to use it." To what noble purpose, you ask? "To provide the FCC with considerable leverage for requiring licensees to cross-subsidize programs that the commissioners believe reflect the 'public interest.' "

The technology of cable television has given us one more opportunity to accelerate beyond the constraints of those who would trample the First Amendment and deny the desires of the great mass of consumers in favor of a regime of entirely civilized, socially acceptable "honest graft." The challenge of cable television, then, is whether we will once more allow the astonishingly advanced technology of tomorrow to be stifled by the ruthlessly predictable politics of the past. ◻

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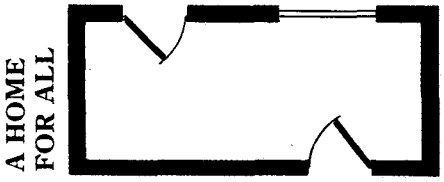
CONDO CONVERSIONS ON THE CARPET

"CONDOMANIA," the hottest game in real estate—converting rental apartments into condominiums—has also become a burning political issue. In local skirmishes throughout the nation, public officials are locking horns with building owners and real-estate developers as the temptation to convert properties into condos grows. And behind this official opposition to condomania is the broad support of citizens seriously concerned that condo conversions are quickly stripping renters of housing. Why the current mania for condos, and how big a threat is it to the rental housing supply?



Since the end of World War II the nation has been enjoying a move toward universal home ownership. The home has become a symbol of solid citizenship, achievement, and personal security. Rapid inflation and increases in the income-tax burden have served to intensify the demand for homes, adding financial advantages to the more traditional ownership appeal. And government policies have been intentionally biased toward ownership, on the premise that the homeowner represents a socially desirable citizen.

The 1949 Housing Act set as a national goal "a decent home for all Americans." Decent homes became translated into home ownership. Low down-payment loans were made possible by federal programs. New subdivisions were developed in areas opened by expansion of public services, sometimes financed through federal grants. The interstate highway system enabled metropolitan areas to spread over multicounty regions. Generous income-tax deductions served as incentives for home purchase. Even governmental failure to stabilize the purchasing power of the dollar served to induce home ownership, as people discovered the inflation-hedging power of real-estate investment.

For those who, for some reason, failed to respond to these incentives, further pressure was applied. Working primarily at the local level, government began to discourage the supply of rental housing. Among the local actions were rent controls, restrictions on eviction and nonrenewal of leases, legitimization of renter strikes, and vaguely worded "warranty of habitability" laws that depress the profitability of the existing stock. To slow down the development of new units, restrictions were placed on site availability in the name of "growth control." In 1976 the tax laws were reformed to decrease the tax shelter available from residential income property.

The very predictable result of these policies was a boom in the demand for home purchases. Ironically, this emphasis occurred at a time when mortgage interest rates were soaring toward historically high levels. The combination of high prices and high interest rates presented a formidable barrier to first-time home buyers.

At the same time, environmental restrictions, tight supplies of building materials, competition for available capital, limitations on expansion of city services, and rising land costs have severely crimped the ability of developers to supply the growing demand for new, affordable homes. The construction of more units with less expense is one way of meeting demand, and clustered housing fills the bill. With the development of condominium law—which allows one to own a living unit outright while sharing the necessary outerstructure and associated facilities—individual ownership of apartment units, townhouses, and other forms of clustered housing is feasible. As lenders have grown more comfortable with this legal innovation, condominiums have flourished.

But the development of new units, even smaller structures on smaller land parcels, has not kept up with the exploding demand for homes. (The "baby boom" generation is now passing through the family formation phase.) Many rental projects have been found suitable for conversion to condominiums, often requiring only filing the necessary legal papers. Even where physical modifications are required, conversion provides a much less costly alternative to new construction.

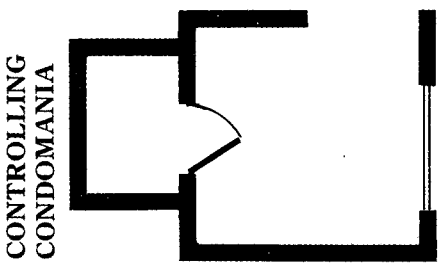
As a consequence, conversion activity has boomed. During the latter 1970s the number of units converted annually in the United States doubled each year, from 20,000 in 1976 to 135,000 by 1979. Many tenants in converted projects have taken advantage of the opportunity to become homeowners, while building

Is condomania really to be feared? What happens when government limits conversions?

BY JACK C. HARRIS

owners have made substantial capital gains. And entrepreneurs undertaking the risks of conversion have reaped handsome profits.

This heightened activity, however, aroused the suspicions of public officials. The condominium market, largely spawned by various governmental policies, came to be widely viewed as a serious threat to the nation's poor and elderly. According to this scenario, tenants were being deprived of their homes, a situation requiring governmental action.



Concern for the supposed victims of conversion has resulted in legislation in many states and municipalities. These laws range from establishing a set of protective measures for the tenant during the conversion process to an outright moratorium on activity. The protective measures generally include some combination of the following:

• *Notice of conversion*: Tenants must receive a written notice informing them of the impending conversion and its consequences on their continued occupancy. Such notices must be given from 60 to 270 days before actual conversion takes place, depending on the state or city.

• *Right of quiet enjoyment during conversion*: Converters are limited in the extent of construction activity allowable while the tenant remains. Also, access to the unit for the purpose of showing it to prospective buyers is restricted.

• *Minimum sales to existing tenants*: A certain percentage of existing tenants must agree to buy their units before the conversion is approved. In New York, for example, a converter has two options. He may file an "eviction plan," which requires purchase agreements from at least 35 percent of existing tenants. Nonpurchasers may then be evicted according to the prevailing rent-control laws (which may allow continued occupancy for up to two years). Under the "noneviction" option, the converter needs purchase agreements from only 15 percent of the tenants but may not evict nonpurchasers. The majority of New York conversions are accomplished under such plans.

• *Purchase option to tenants*: Tenants are provided a "right of first refusal" for a limited period of time, generally 30 to 120 days. The unit may be purchased by a nontenant only after this option has been waived or allowed to expire.

• *Relocation assistance*: A few states require converters to provide financial and technical assistance for tenants who must vacate.

• *Antiharassment*: Converters are barred from using tactics designed to provoke tenants to move.

The strongest response to conversion activity, however, is the moratorium. Moratoria are always proposed as a temporary measure, providing the authorities time "to study the impact on the community." They are also intended to prevent a rush to convert at the hint of impending legislation. A permanent moratorium would be subject to extensive lawsuits over the taking of private property without compensation (which still exists, more or less, as a constitutional safeguard).

Temporary moratoria, of course, can always be extended to allow for proper deliberations. And after the termination of a moratorium, a set of very restrictive procedures often follows. Some examples:

• A high percentage of sales to current tenants may be required, such as in the New York eviction plan.

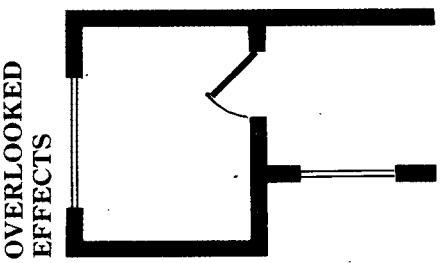
• A minimum vacancy rate in the rental housing stock may be established, below which a conversion moratorium may be reimposed or extended.

• A quota may be set on units allowed to be converted, based on the number of new rental units constructed.

• A converter may be required to provide a percentage of units for purchase or rent by low- and moderate-income individuals. Alternatively, the converter may have to contribute to a fund to be used for producing such units.

While a number of local governments attempt to hold would-be converters at bay, Congress has also been tempted to join the battle on the side of tenants. The Senate-passed version of the 1980 Housing Act defined a need to take action at the federal level to stem the crisis of a "disappearing" rental stock. Apparently sensing that the issue is controversial and not worth jumping into, however, Congress ultimately deferred to state and local authorities.

If conversion is to be stopped, it will be up to state and local politicians to do the job. But before state and local lawmakers carry out their work, perhaps the very premise of the controversy should be examined. *Should* condominium conversions be stopped or even slowed? *Does* conversion threaten to make rental housing extinct? Moreover, *are* tenants victimized by conversion and therefore deserving of special protection?



To answer these questions, we should first examine the effects of condominium conversions within the housing market. Objectively viewed, conversions have a number of positive effects:

• They increase the stock of housing available for home ownership. Moreover, this increase also adds variety to the type of housing available: condominiums are generally smaller and often less expensive than single-family homes, and converted units may be more conveniently located than newly constructed condominiums.

• Conversions increase the aggregate value of the housing stock. The value of converted units is often much higher than that of the unconverted buildings, even when minimal physical transformation takes place.

• Conversions generally upgrade the social character of a neighborhood, often coinciding with the revitalization of older urban areas. Transient renters are replaced with more stable homeowners who have a financial stake in the neighborhood's future.

• Conversions promote a higher level of maintenance. This reflects not only the converters' efforts to improve the marketability of the units but also the future behavior of resident-owners to

protect their investment.

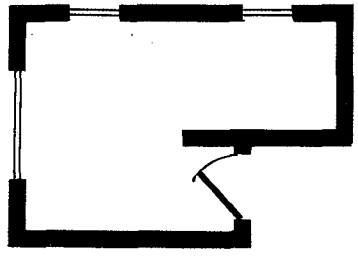
• Conversions enhance the appreciation outlook of all rental buildings with conversion potential. This essentially reduces the risks of owning residential rental property. Without this option, apartment owners must look toward rental income for the bulk of investment return. Therefore, rents may actually be *higher* when the conversion option is precluded than in an unrestricted market. The increased risk may also adversely affect the level of new construction.

From the foregoing, we can begin to gauge the effective costs of conversion restrictions: fewer opportunities for home ownership, lower overall housing values (reflecting an inefficient allocation of housing resources), greater obstacles to neighborhood revival, less upkeep, and higher rents.

Though much citizen opposition to condo conversions appears to focus on the profits derived by converters, it is the home ownership and neighborhood-upgrading effects that seem to inspire most official opposition to conversions. The framers of conversion restrictions fear that rental housing will eventually disappear should conversion go unabated. There is also concern that low-income and elderly tenants are being brushed off in favor of affluent home purchasers.

Despite years of enacting laws restricting the rights of landlords and keeping multifamily housing developments out of respectable neighborhoods, local governments have now concluded that it is the condo converter who is cutting off the supply of rental housing. With conversion profits so high, reason local officials, what will stop the movement before rental housing becomes extinct?

OVERCOMING CONDOPHOBIA



What is the biggest threat to the rental supply: conversion activity—or the combined activities of public planners, code enforcers, rent controllers, and tenant-rights advocates? The effects of restrictions are ubiquitous. According to Roger Starr, writing in a recent issue of *The Public Interest*:

Since World War II, in the local-government jurisdictions of the United States, housing legislation has extended government's supervision over rental housing. . . . [T]aken all together, they have imposed obligations on landlords that are extremely difficult to meet in the normal course of business. . . . [T]he potential for arousing caution on the part of prospective builders/owners and their bankers would appear limitless.

In fact, conversion is one response to such debilitating restrictions.

Nevertheless, people do fear that the conversion of, say, a 20-unit apartment building to condos will reduce the supply of rental housing by 20 units, in the face of high demand for rentals. How realistic is this fear?

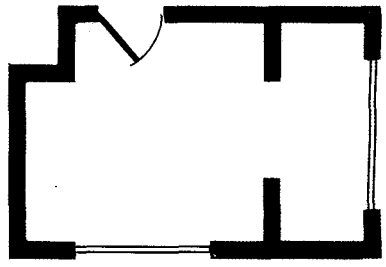
The Department of Housing and Urban Development (HUD) addressed this and other questions in a nationwide study of condo conversions. Published in the fall of 1980, the report (*The Conversion of Rental Housing to Condominiums and Cooperatives*) reviewed all 366,000 conversions that took place in the 10 years beginning with 1970.

What happens when a unit is converted, HUD found, is usually one of three outcomes. The converted unit may be bought by the person who had been living there as a tenant. In that case, although there is a reduction of one unit in the supply of rentals, there is also a reduction in *demand* by one unit—the buyer is no longer in the rental market. A similar thing happens if the unit is bought by a former renter in some other building. In purchasing the converted unit, the buyer removes a rental unit from the market, but by moving out of his old apartment, he frees up that unit for some other renter. Once again, both supply *and* demand for rentals have decreased by one unit. What if a "speculator" buys the converted unit? In this case there is clearly no loss of supply, since he is buying the unit not as a residence but as an investment; it remains on the rental market.

Altogether, transactions of these three types predominate when conversions take place, HUD found. The net effect was that, out of every 100 units converted, there was a net reduction in supply *relative to demand* of only five rental units. In other words, 95 percent of all condo conversions did not alter the supply/demand balance for rental units.

Furthermore, although conversions have picked up steam at a rapid rate in recent years, converted units still represent a tiny proportion of the rental housing stock. Even though the number of conversion has been doubling each year, according to the 1980 HUD study, all the units converted in the 1970s accounted for only *1.3 percent* of all rental housing units. A conversion moratorium, therefore, would hardly be the salvation of rental housing.

OBSERVING THE MARKET



Some argue that the conversion movement is in its infancy, that the vast financial advantages of conversion will assure its burgeoning growth—like a cancer, it will grow wildly if allowed a foothold. But this argument assumes that the entire rental stock sits as an inviting target for converters.

The reality is that there are two very real market constraints on continuation of conversion activity. The first is a supply-side constraint: all buildings are not suitable for conversion. In fact, very few are appropriate. The HUD study estimates that only 5.5 percent of the 1977 rental stock represented prime conversion prospects; another 5.4 percent were marginal; and another 9.4 percent could be converted with significant rehabilitation. Several hot conversion markets, such as those in Chicago and Houston, are already slowing down due to shortages of readily convertible stock. Even assuming economic incentives were strong enough to convert all these units, the large majority of buildings would be untouched.

The second constraint is on the demand side. Home ownership, even with all its financial and psychic advantages, is not for everyone. There will always exist a market for rental units, even among the affluent, because of the mobility and freedom from responsibility offered by renting. And among those aspiring to home ownership, a good proportion lack the ability to purchase. That proportion is likely to grow as mortgage interest rates remain high.

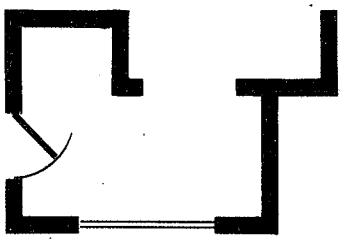
Even within the group who are willing and able to purchase housing, only a fraction will opt for a converted apartment unit, no matter how convenient or luxurious. Although tastes have been changing gradually, the vast majority of would-be homeowners continue to favor the detached, single-family house.

Considering these factors, it seems somewhat overwrought to forecast continued exponential growth in conversions sufficient to absorb all rental housing. More than likely, the trend will be barely noticed in terms of impact on the aggregate housing stock. The numbers are simply too limited.

Unquestionably, conversions are beneficial to owners of rental units, converter-entrepreneurs, and unit pur-

chasers. The HUD study profiled the typical condo-conversion purchaser. Nationwide, compared to homeowners generally, the people who bought converted units were young, of modest income, often single, and more likely to be minorities—exactly the people otherwise frozen out of home buying. About one-half were 35 or younger, and 57 percent were single. In fact, single women constituted the largest group of condo-conversion buyers—36 percent (compared with only 10 percent of all homeowners nationwide being single women). Some 61 percent of all households purchasing converted units earned less than $30,000. And about 10 percent of the new owner-occupants were black (compared with only 7 percent of all homeowners nationwide).

TENANTS AS VICTIMS



But what about the tenants who cannot afford to purchase the converted unit and must move out? Aren't they unfortunate victims who should be given protection? The HUD study surveyed these people, too. Although half of them had some difficulty finding new housing, only 18 percent ended up being "adversely" affected—either by finding lower-quality housing for the same rent or the same quality at higher rent. Furthermore, 90 percent of all former residents told HUD they were satisfied with their new housing; this is about the same degree of housing satisfaction expressed by those who moved into the converted units.

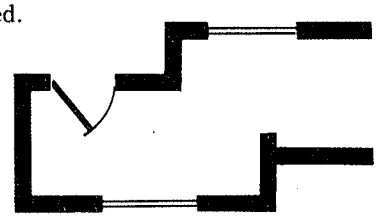
Even though the tenants' plight has been greatly exaggerated, many people continue to feel the government should intervene on their behalf. Such intervention is an attempt to create tenants' rights that go beyond those established by the standard lease agreement. In other words, since the tenant has committed himself to the property by the act of taking up residence, he is entitled to some authority over what happens to it.

However much a tenant feels he has committed himself to a property, his legal obligation extends in fact only as far as the lease term. For a lease arrangement to entitle the tenant to a voice in the disposition of the property or to provide a renewal option of indefinite duration, would require much more compensation to the owner.

Security in one's place of residence is a prime attraction of home ownership. It is true that the requirements for purchase are beyond the reach of many tenants, especially the elderly on relatively fixed incomes. As noted earlier, this is an unfortunate outcome of government policies that consciously and unconsciously encourage home ownership. The problem is not greed on the part of property owners and converters. Their access to large profits simply reflects rapid changes in the housing market, specifically, the expansion in home ownership demand. To "protect" the supply of rental units through conversion restrictions is to create a shortage of housing for first-time home buyers.

So the tenants' quarrel is not with the building owners or the converters. They are merely agents for the scores of young families anxious to reserve a seat on the home ownership bandwagon. To argue the tenants' cause, then, is to say that tenants are a special class who deserve governmental protection from the forces of inflation at the expense of those who attempt to build for their future. The issue, however, is rarely presented in this manner. To paraphrase a central point made by Henry Hazlitt in *Economics in One Lesson*, the aggrieved tenants are *visible*, while the deprived condominium buyers are easily overlooked.

ZERO-SUM GAME



The issue of conversion restrictions essentially pits tenants threatened with displacement against aspiring condominium buyers in a zero-sum confrontation. Might there be alternatives that work for the benefit of all groups involved while still protecting the rights of property owners?

It appears that the real tenant problem is the sudden disruption, introduced by conversion, of an expectation. The tenants, in many cases, fully expected their rental units to remain available indefinitely, not merely to the end of their current leases. The possibility that they could not renew the lease was so remote it deserved no consideration. Consequently, they never concerned themselves with ensuring against such a possibility. There are options, however, that allow tenants to provide themselves with more security.

• *Negotiate longer-term leases.* Tenants who do not need the mobility offered by the rental arrangement should seek a longer-term lease, perhaps five years or longer. Landlords may be reluctant to agree to such terms, but probably can be persuaded by a higher rent or some fair-handed rent-indexing method (such as providing automatic annual rent increases based on changes in the Consumer Price Index). Of course, long-term leases also commit the tenant to the rental unit, but most landlords will release the tenant from the lease if the tenant locates an acceptable tenant to take it over. A short-term lease with a renewal option is another alternative.

• *Arrange a sale-leaseback with an investor.* This is, in effect, a third option to the buy-or-move decision faced at the time of conversion. The tenant agrees to purchase the unit and finds an investor who simultaneously purchases the unit and leases it back to the tenant. The tenant remains in the unit, although probably at a higher level of rent. This option is especially feasible when converters offer tenants discounted prices in exchange for a buy commitment. (The *Wall Street Journal* reports that in New York a secondary market has developed for tenant options in conversions.)

• *Organize a tenant-sponsored conversion.* When nothing else works and conversion is imminent, this may provide an alternative. This option, however, is the most difficult and does not achieve the objective of allowing the tenant to avoid purchase. But it does offer the possibility of retaining the unit.

All of these alternatives force tenants to accept a greater level of responsibility. They reject the "tenant as victim" approach characteristic of conversion-restriction programs. As such, they are consistent with the principle that in a free society, individuals should accept responsibility for their personal decisions and well-being.

Condominiums are an important innovation in housing, especially as housing costs soar. Conversion of rental units represents a basic upgrading of the housing stock, often in locations that are in the greatest need of an uplift. These benefits, however, go largely unnoticed as both the public's and officials' attention focuses on the plight of a relatively small number of inconvenienced renters.

But it is on this limited view of the current condo craze that public policy is decided. So while conversion-restriction policies may appear to protect some renters, all the other players—owners, would-be buyers, and other renters—lose in the long run.

Jack C. Harris is an assistant research economist at the Texas Real Estate Research Center of Texas A&M University. The opinions expressed in this article are the author's and do not necessarily represent the viewpoint of the center.

By Peter Schwartz

Women's Worth

Is "comparable worth" good for women?

SHOULD EMPLOYERS be permitted to pay secretaries less than they pay truck drivers? No, say feminists, who maintain that such wage disparities are devious violations of the law against sexual discrimination in employment. "For the average woman who works...I do believe that this is the issue of the 1980s," says a former chairman of the Equal Employment Opportunity Commission. "This is the civil rights issue of the '80s," concurs the mayor of San Jose, California, Janet Hayes.

The name of "the issue of the '80s" is "comparable worth." And the argument proponents make is as follows:

Women are as intelligent and as competent as men. Why, then, do they earn, on average, only 59 percent as much as men do? Because they are systematically segregated in jobs that are traditionally performed mainly by females—like nurses, secretaries, librarians—and that are, therefore, traditionally underpaid. Half of all working women are relegated to jobs that are at least 70 percent female, and about one-fifth are in jobs that are 95 percent female. "Not only do women do different work than men," says a newly released study by a division of the National Academy of Sciences, "but also the work women do is paid less, and the more an occupation is dominated by women the less it pays." The present legal requirements that women be given equal pay for equal work, that they not be discriminated against in hiring and promotion policies, and that businesses adopt employment quotas for women are all inadequate, since entire job classifications are unfairly undervalued. Full sexual equality cannot be achieved until "women's work" is paid as much as men's.

The solution is to have equal wages paid for jobs of comparable worth—and to interpret the Civil Rights Act of 1964 as *requiring* such action. As President Carter's Assistant Secretary of Labor Don Elisburg explained it, his department would insist on equal compensation for jobs "which may be different in content [but which] require the same skill, effort and responsibility....The concept sounds so simple, one can only wonder what has taken it so long to catch hold." Thus, a company could no longer get away with paying its female receptionists less than its male janitors, unless it could demonstrate that answering phones demands less skill, effort, and responsibility than mopping floors. Women would finally achieve parity with men.

This issue of comparable worth is the culmination of the women's movement, in a dual sense. It incorporates every one of the movement's important premises, and it marks a stage beyond which there are no fundamentally new worlds left to conquer. For comparable worth is more than an intervention in the free market—it is a denial of the *possibility* of a free market.

COMPARABLE-WORTH ADVOCATES assume that wages are set entirely at the whim of employers. If they want to pay women less than they are worth, they can and do. Like Marx's theory of exploitation, this view holds that workers—at least those who are female—are at the mercy of businessmen and need to be safeguarded by government.

Now, if it were true that wages are set at employers' discretion, why don't they pay *male workers* less, too? If they can arbitrarily establish low wage rates, why do they magnanimously give men more money than they have to? And if a company's secretaries are indeed being paid less than they are worth, why don't competing firms jump at the bargain and start luring them away by bidding up their wages? Since, however, employers must pay men what the market commands, and since women are not being bid away—then female workers *are* getting paid precisely in accordance with their objective market value, which is determined by supply and demand.

But feminists insist that a job has an inherent worth, irrespective of the market. The clinical director of the American Civil Liberties Union's Women's Rights Project describes the comparable-worth situation as "a segregated job structure where women are paid less for work that is different from that of male employees but is *of comparable value to the employer*" (emphasis added). She believes, in other words, that values are intrinsic, that things have a price even if no one is willing to pay it, that there can be values without valuers. The "true" worth of a job, which goes unperceived by those who have to pay for it, must therefore be ascertained by government revelation—which the nonperceivers have to be forced to accept.

This represents a major leap from the idea of "affirmative action." The latter restricts itself to the field of ethics: it is an argument from need, an appeal to give certain classes of people special privileges because of their "disadvantaged" status. Comparable worth, however, is an argument from metaphysics, a factual assertion that women must get more pay because their jobs are intrinsically worth more. The one is a demand for charity; the other, a call for the restructuring of reality.

A free market functions only by means of *voluntary exchange*, which requires the free, independent judgment of every buyer and seller. But if value is intrinsic, divorced from the evaluations of those involved in a transaction, a free market is impossible. There could not be any *trade*, only dictated value and coerced payment. The worth not only of "women's work" but of *all* jobs would have to be fixed by government. The bureaucrats would be charged with the task of divining the answers to questions like: Are

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basketball players inherently more worthy than cancer researchers? Should network anchormen be paid more than used-car salesmen? Don't ditch-diggers display more "skill, effort, and responsibility" than punk-rock singers? The law would have to create a hierarchy of jobs—*and of prices, too*: Is it fair that women's shoes cost more than men's? Isn't it sexual discrimination to have to pay more for Chanel No. 5 than for English Leather? The implications of the comparable-worth theory pose a massive threat to a free-market economy.

But that is perfectly acceptable to feminists. As Susan Cowan-Scott, spokeswoman for the California State Commission on the Status of Women, responds to this objection: "If it's not too frivolous, some people saw the abolition of slavery as a challenge to the free market system, too. This is not quite on that scale, but given its built-in bias, one can question just how free that market is."

Now, it is true that even a free market will have some irrational and ignorant people who refuse to believe that women can do anything but cook dinner and change diapers. But if the market is truly free, such people do not prevail. They are virtually irrelevant. They are refuted daily through the actions of more intelligent individuals, who recognize a woman's capabilities—and who *profit* from them. The ignorant ones either learn from their betters or, if they stubbornly resist, self-destruct as they leave to their competitors the lucrative use of women workers, women suppliers, and women customers. Stupidity and mental lethargy are barriers faced by *anything* new or different. They are overcome when people realize that closed-mindedness is against their own interests. No law was needed, for example, to get blacks into major league baseball. The first black players surmounted enormous obstacles of bigotry by proving their *objective value*; their employers had a compelling motive to give them a chance: profit. Nor were laws required to counter the fearful hostility to the introduction of electricity or automobiles. All that women need is the political freedom to demonstrate their value—not the political power to compel recognition.

Many feminists, however, don't want the onus of freedom. They don't want to have to *persuade* businesses to hire women or raise their salaries. Consider their answer to the following simple question: If women's jobs are underpaid, why don't women leave for the higher-paying, "comparable" jobs? (They can hardly object that women would not be

Illustration by Larry Carroll

hired for "men's" jobs, since such refusal is illegal.)

"If a woman has held a job for years and years and has skills, she should be compensated for her skills and not have to leave the job," responds an ACLU attorney. "There's no reason for an experienced woman to have to leave her job," says Ann Miller, head of the committee that prepared the National Academy of Sciences report. "Many women in the labor force have considerable investments in being librarians, for example. They shouldn't have to give that up to be an apprentice plumber just to get higher pay."

Instead of urging women to pursue the better jobs—to show that they can indeed perform them—feminists encourage them to stay where they are. Women are told not to bother learning the skills that are in greater demand but to remain behind their typewriters and switchboards, to pout at the world's injustices, to send in their dues to the National Organization for Women, and to strive for bigger, "true-worth" paychecks by suing their bosses.

This can only reinforce the notion that women are generally less ambitious and less capable than men—precisely the attitude that women claim to be fighting. The irony is that many of the leaders of the women's movement hold that very view. They regard women as essentially helpless, unable to rise unless government supplies the pulling and the bootstraps. They believe that women do not seek out jobs but accept passively whatever work is thrust upon them. As stated by Frances Hutner, an economist quoted in the *New York Times*: "The main problem is that women are trapped in female occupational ghettos."

This is a horribly demeaning portrayal of women by their self-proclaimed defenders. It ignores the countless numbers of *successful* women—those who are part of the senior management of major corporations, who head their own companies, who are famous in the very competitive fields of the arts, entertainment, and sports, and who are happily pursuing careers at whatever the level of their abilities.

FEMINISTS DEPICT THEMSELVES as favoring the principle of merit in hiring and opposing collective judgments based on gender. They declare that they simply want to eliminate a person's sex as a factor in the workplace and to encourage employers to focus solely on the worker's individual qualifications.

The actual philosophy of most feminists, however, is precisely the opposite. Underlying their view of women as helpless is a thoroughgoing anti-merit, anti-individualistic egalitarianism. What they are after is the eradication of all practical consequences of the factual differences between the sexes. They want, for instance, to prohibit any requirements that women make larger payments into pension funds just because they live longer and collect more benefits than men do. They have fought to make pregnant women eligible for coverage under accidental disability insurance. In testimony last year before the Equal Employment Opportunity Commission, the clinical director of ACLU's Women's Rights Project criticized a court decision that exonerated a clothing store for paying salesmen of men's clothing more than saleswomen of women's clothing: "the Third Circuit found that higher economic profitability of sales in the men's department of a clothing store was a factor other than sex which justified paying male sales clerks higher salaries than female sales clerks. [The law allows pay disparities between men and women when they are attributable to any factor besides sex.] This case appears wrongly decided under the Equal Pay Act, since the reason for the wage gap is in fact a sex-based job structure, and that is not a factor other than sex."

If feminists are concerned about justice and about reality, then these positions are senseless. But if their objective is *equality*—an absolute equality of condition between men and women, the obliteration of all practical differences arising from gender, the erection of a shield around women to protect them from any untoward effects of living longer, becoming pregnant, and being able to keep female customers at ease in dressing rooms—then their stand is explicable. For these *are* examples of sex discrimination and unequal treatment. These are all cases in which the fact of being female produces certain results from which the male is exempt.

However, these results are just and logical. Sexual discrimination, far from being some sort of guilty prejudice, is an absolute necessity. There *are* differences—enormous differences—between men and women. They range from the trivial to the crucial, from the field of bathroom design to the realm of romantic relationships. A man having a sexual relationship with a woman is engaging in the most profound act of sexual discrimination imaginable.

To take this further: discrimination—the act of recognizing distinctions—is implicit in the fact of being conscious and is a requirement of living. It is *discrimination* to prefer food to poison, America to Russia, happiness to misery. In the social area, the antithesis of discrimination is egalitarianism, which advocates the leveling of all people and the evasion of any factual differences among them. Full-fledged egalitarians insist that it is unfair, for example, that the top 20 percent of the population gets 44 percent of the income, while the bottom 20 percent receives only 4 percent. Feminists, being somewhat less ardent egalitarians, narrow the issue and argue that it is unjust for 51 percent of the nation to make less money than the other 49 percent. Both camps want the forcible redistribution of wealth; both ignore the individual in favor of the collective; both maintain that explanations of *why* some people earn more than others—and why they are therefore *entitled* to more—are discriminatory and immaterial.

THE ESSENTIAL PHILOSOPHY—and essential error—of much of the women's movement is contained in the concept of sexism. *Sexism* is defined by the supplement to *Webster's Third New International Dictionary* as "prejudice or discrimination based on sex, especially discrimination against women." The *Unabridged Random House Dictionary* defines it as "discrimination against women, as in restricted career choices, job opportunities, etc." Either definition renders the entire concept invalid because it encompasses *all* acts of differentiating between males and females. It grants the same status to the irrational as to the rational—that is, to an accountant who refuses to hire women because he believes that they cannot learn arithmetic, and to the store manager who keeps his female clerks in the women's clothing department. (This is not to imply that in the former case the government should intervene, but there exists at least a genuine injustice.)

Many feminists are wholeheartedly in favor of erasing any distinction between rational and irrational sexual discrimination. Their fundamental goal is the creation of a society that practices full sexual egalitarianism—which means that males may not acquire *anything* that women don't, including positions on professional football teams and membership in the Vienna Boys Choir. They are so committed to this objective that they pursue it even in seeming contradiction to their insistence on the deemphasis of gender. They support certain sex-based policies, such as affirmative action, as long as they make women "more equal."

(We should add that, unlike sexism, the concept of racism is clearly invalid. There are virtually no differences among

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Grazing for Dollars

A privatizing proposal that can reduce the budget deficit, too

By Steve H. Hanke

The worst thing that can happen to a good cause is not to be skillfully attacked, but ineptly defended. —Frederic Bastiat, *Economic Sophisms*, 1845

MY PURPOSE is to defend a good cause. The particular case and its defense are made easy, since the facts are clear and the violation of first principles is flagrant.

The cause is the privatization of our public lands. The problem is not new. For example, Adam Smith specifically gave advice on this issue over two centuries ago:

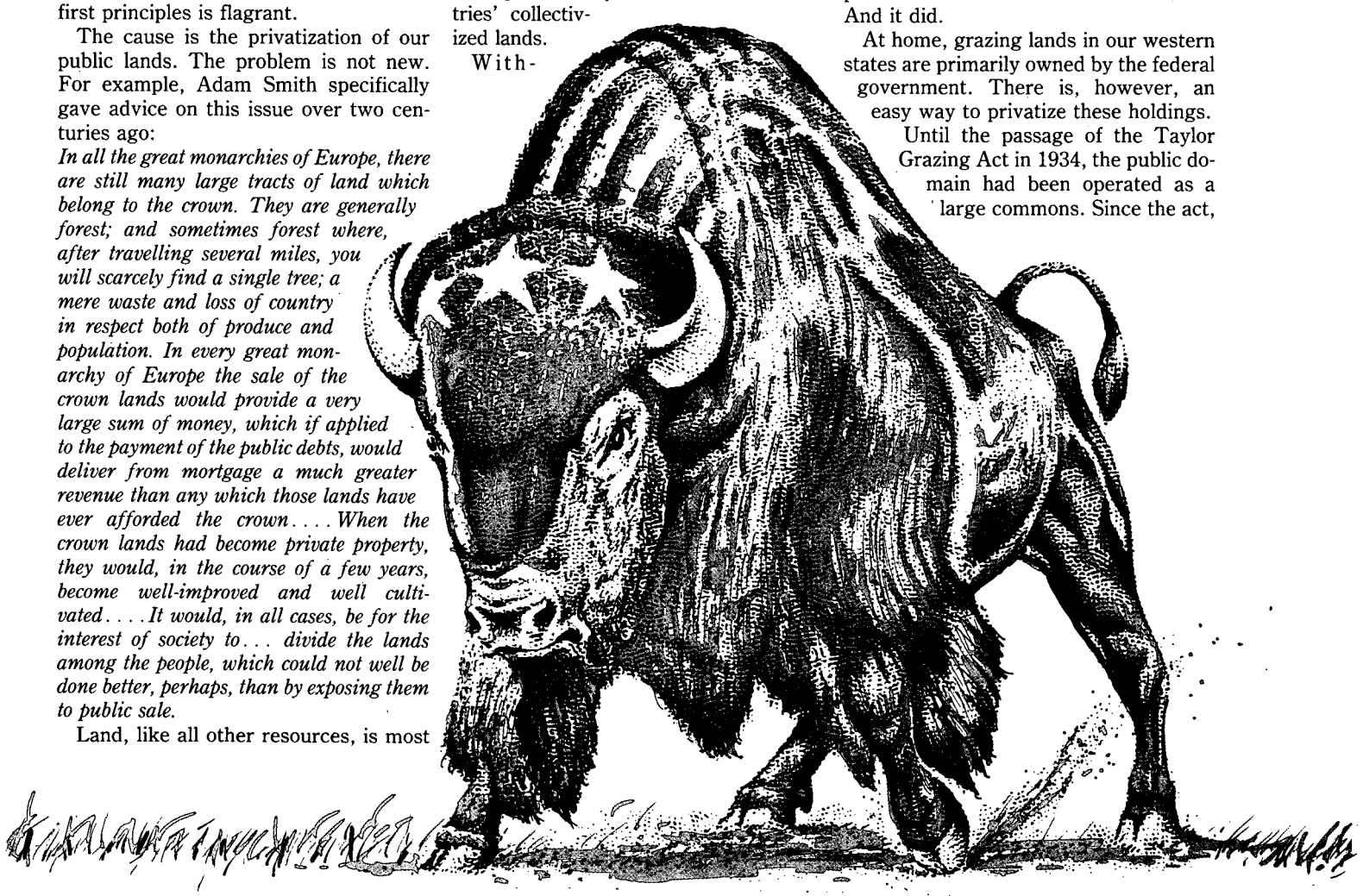
In all the great monarchies of Europe, there are still many large tracts of land which belong to the crown. They are generally forest; and sometimes forest where, after travelling several miles, you will scarcely find a single tree; a mere waste and loss of country in respect both of produce and population. In every great monarchy of Europe the sale of the crown lands would provide a very large sum of money, which if applied to the payment of the public debts, would deliver from mortgage a much greater revenue than any which those lands have ever afforded the crown. . . . When the crown lands had become private property, they would, in the course of a few years, become well-improved and well cultivated. . . . It would, in all cases, be for the interest of society to . . . divide the lands among the people, which could not well be done better, perhaps, than by exposing them to public sale.

Land, like all other resources, is most productive when in private hands. The empirical evidence, both in time and space, that supports this proposition is overwhelming. All of the other alternatives, or so-called progressive ideas, are nothing more than expensive games. As a tragic example, we only need to be reminded of the abysmally low and erratic productivity of the Eastern countries' collectivized lands.

Without attempting to be pedantic with yet another quotation, I must emphasize that privatization, or what is now referred to as supply-side economics, is neither new nor a gamble. Already, Louis XII of France—a great king, statesman, and implementer of modern finances—liked to say: "The money of my subjects multiplies better in their hands than in mine." And it did.

At home, grazing lands in our western states are primarily owned by the federal government. There is, however, an easy way to privatize these holdings.

Until the passage of the Taylor Grazing Act in 1934, the public domain had been operated as a large commons. Since the act,



a more orderly method of utilization has been in effect. For the right to use public grazing lands, which cover approximately 155 million acres, ranchers must acquire grazing permits. To obtain these permits, ranchers must pay annual rents to the Bureau of Land Management. By custom, the grazing permits, which number approximately 20,000, are attached to specific parcels of private land. (The owner of private parcel A acquires the right to graze his herds on public parcel B.)

The linkage between public permits and private land has had a profound impact on the market for private land. The annual public grazing fees have been set below market-clearing levels; that is, given the price, there are more buyers than there are permits. As a result, the grazing permit market has been cleared—supply and demand equalized—not through the grazing permit market itself, but through the market for private land. So the difference between market-clearing public grazing fees and those actually charged has been capitalized into the value of private lands that public permits are attached to. (The value of an asset, such as land, reflects the flow of net benefits—gross benefits minus costs—that is expected to be generated by the asset. Converting this flow of net benefits into an asset value is referred to as capitalizing.)

The linkage, through capitalization, between the market for public permits and that for private land, has important implications. It means that, with the exception of those who obtained the original permits, all ranchers have had to pay two prices for their public grazing permits—a public price, in the form of an annual grazing fee, and a private price, in the form of a premium for their private lands.

To privatize public grazing lands and transfer public grazing permits (surface rights in fee simple) to private ranchers on an equitable basis, we must charge a lump-sum amount to ranchers. This charge should be for that portion of the grazing permits' value that has not already been paid for through premiums for private land.

Privatization can be accomplished in the following manner. Each rancher could be given the right to purchase, on a first-refusal basis, the public grazing permits that he now rents from the Bureau of Land Management. The first-refusal price would be set by capitalizing (at a one percent real rate of interest) the annual fees (in 1982 dollars, averaged over the past five years) that the rancher has paid. (Note that one percent is an estimate of the real long-term interest rate paid by the US Treasury and that the five-year average of annual fees is an estimate of future annual fee payments.) If the rancher refused to purchase his permits at this price, then they would be sold at an auction to the highest bidder.

THIS PRIVATIZATION proposal would benefit us all, with the possible exception of the bureaucrats who manage the public lands and those who derive their power from their leverage on the arbitrary level of public grazing fees.

First, the productivity of western ranches would increase. Ranchers would no longer have to receive lessons from Bureau of Land Management bureaucrats on how to husband land, raise cattle, and prepare environmental impact statements.

Second, an objective of the "New Federalism" would be achieved: a tax base would be transferred from Washington to state and local governments.

Third, federal revenues would be generated. These would equal approximately $1.5 billion. Instead of receiving annual grazing fee revenues, the federal government would receive an equivalent amount as a lump-sum payment.

Finally, since the federal grazing lands create negative cash flows for the federal government, unfunded federal liabilities would be reduced. For example, in 1981 total receipts from grazing fees were $24.9 million, while outlays for program management were $41.6 million and payments to local governments in lieu of taxes were $16.9 million. In effect, the federal taxpayers had to *pay* $33.6 million in 1981 to permit ranchers to use the taxpayers' federal grazing lands! (The real economic costs to the taxpayers, in terms of opportunities forgone, are even greater than the negative cash flows, because the federal government does not count as costs capital carrying charges on the assets it holds.)

We all know that the defense of private property is right. All we must do is take Bastiat's advice and properly defend our position. Then a clearly informed citizenry will naturally demand what is in everyone's best interest. ◻

Steve Hanke is a senior economist on the President's Council of Economic Advisers. This article, adapted from a presentation at Manhattan Institute Policy Forum, represents the views of the author and not necessarily those of the council.

Women's Worth

(Continued from p. 42)

people attributable to race. Skin color is of no concern to anyone except the manufacturers of cosmetics and suntan products. Thus, any real distinction made on the basis of race is necessarily irrational.)

The comparable-worth campaign extends the idea of egalitarianism beyond strictly sexual discrimination. It seeks to prohibit discrimination of *any* kind that happens to adversely affect women more than men. The fact that nurses may not make as much as truck drivers is not related to sex per se (male nurses make less, too) but to the nature of the job. It happens that nurses are mainly female and truck drivers mainly male, but their wage rates are determined by the market for their respective services.

Similarly, the fact that women in general earn less than men do is the result of choices women make; it is not the product of actual sexual discrimination. But feminists don't care about the *reasons* for any difference between men and women, only about eliminating it. Is a woman more likely than a man to interrupt a career because of pregnancy or to take care of children at home? Irrelevant, say feminists—if she were a man, she would be working. Does a woman lose out on a job to a man who has more experience? If she were a man, she'd have had the experience. Do women more than men want part-time jobs; do they more often than men look for jobs that they can leave and readily return to later; do they *want* to be nurses and secretaries and librarians? It's all sexual oppression, say feminists—men and women must be absolutely equal. (The economist Thomas Sowell has done some fascinating research in this field and found that the incomes of single women and single men are about the same. It is the women who choose to marry who make less than men.)

Comparable worth has manufactured a comprehensive sexual philosophy whose axioms are: there are no fundamental distinctions between man and woman; in observing reality, one must focus on whether some fact affects women more negatively than it does men; morally, men owe women a condition of absolute equality; and politically, government must collect that debt. Unfortunately, one could hardly be farther away from defending the competence of women and the right of women as well as men to make the free and independent judgments required by voluntary exchange in the marketplace. ◻

Peter Schwartz is the editor and publisher of the Intellectual Activist, *from which this article is reprinted by special permission.*

THE GREAT LEAP DOWNWARD

BY THOMAS M. MAGSTADT

The Khmer Rouge took Marx, Lenin, and Mao to their logical conclusion in Cambodia— and the masses were brought down to a level of equal misery.

In the throat
Of Hell, before the very vestibule
Of opening Orcus, sit Remorse and Grief,
And pale Disease, and sad Old Age and Fear,
And Hunger that persuades to crime, and Want:
Forms terrible to see. Suffering and Death
Inhabit here, and Death's own brother Sleep;
And the mind's evil lusts and deadly War,
Lie at the threshold, and the iron beds
Of the Eumenides; and Discord wild
Her viper-locks with bloody fillets bound.

—*Virgil,* Aeneid VI

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SINCE ANCIENT times, man has tried to imagine both the best and the worst of all possible worlds. For Virgil, hell existed in the hereafter. For Karl Marx, it existed in the here-and-now. Virgil's hell was a metaphorical world of poetic images; Marx's, a materialistic world of industrial sweatshops. Marx could imagine nothing worse than the remorseless wage-labor system associated with the "take-off" period of modern, industrial capitalism. Inhabitants of the 20th century, on the other hand, should have no great difficulty imagining things far worse—the horrors of Stalin's labor camps and Hitler's gas chambers constitute a lesson in evil that ought never to be forgotten. It is a lesson that the erstwhile leaders of the short-lived Communist regime in Cambodia* never learned.

The Cambodian holocaust must now be added to the grim list of 20th-century totalitarian nightmares. The nightmare

*Communist Cambodia was given the official name of Democratic Kampuchea. For semantic convenience, I will use the name *Kampuchea* to refer to Cambodia between April 1975 and early 1979.

began in April 1975 and ended approximately four years later when the Vietnamese, following a large-scale military invasion of Kampuchea, took the capital of Phnom Penh and established a puppet government under Heng Samrin.**

UPROOTED AT GUNPOINT

It was in mid-April 1975 that Khmer Rouge guerrillas quietly entered Phnom Penh, the capital, after a protracted war with the government forces of Lon Nol. The conservative, pro-American Lon Nol clique was notoriously corrupt and incompetent. There is little reason to believe that the Cambodian people would have mourned the passing of this crumbling regime. (It seems significant that when the Khmer Rouge enveloped Phnom Penh in the spring of 1975, the city's war-swollen population, estimated at some 2.5 million souls, while understandably apprehensive, apparently put up little or no resistance.)

The Khmer Rouge take-over of the capital was swift and efficient. The young guerrilla soldiers, sandals on their feet and automatic rifles in their hands, moved silently through the streets. An eerie calm descended on the capital. Then, with lightning suddenness, came the unbelievable word from on high: the city must be evacuated immediately! (The word quite literally came from "on high": the Kampuchean Communist Party at first identified itself to the people only as Angka Loeu—in the Khmer language, "the Organization on High.")

The people of Phnom Penh were ordered at gunpoint to leave everything behind and hurl themselves into the river of humanity that began pouring out of the capital. An eyewitness observer, Fr. François Ponchaud, described in *Cambodia: Year Zero* how this "hallucinatory spectacle" began:

> *Thousands of sick and wounded were abandoning the city. The strongest dragged pitifully along, others were carried by friends and some were lying on beds pushed by their families with their plasma and IV bumping alongside. I shall never forget one cripple who had neither hands nor feet, writhing along the ground like a severed worm...*

The forced march into the country was carried out with murderous haste. In a few short days, the capital was emptied of all inhabitants with the exception of diplomats and missionaries who became temporary prisoners of the Angkar—that is, the invisible government.

Thus began a four-year period of politically organized insanity. The evacuation of Phnom Penh was matched by similar evacuations of every city and town in Cambodia. The entire population was uprooted, resettled, and rusticated.

BY THE SWEAT OF THY BROW

Why? Those who would account for such catastrophes as the Cambodian Revolution without raising nettlesome questions of moral responsibility often incline toward sociological explanations. But, whereas sociological analysis definitely helps to explain why revolutionary upheavals occur, it does not explain why some revolutions, once they have occurred in a particular time and place, move in one direction, while other revolutions move in quite another.

In the case of the Cambodian Revolution, ideology would seem to be the most compelling explanation for the particular direction taken by the Angkar (hereafter referred to as the Organization). To illustrate, Ponchaud writes:

> *The evacuation of Phnom Penh follows traditional Khmer revolutionary practice: ever since 1972 the guerrilla fighters had been sending all the inhabitants of the villages and towns they occupied into the forest to live, often burning their homes so they would have nothing to come back for. A massive, total operation such as this reflects a new concept of society, in which there is no place even for the idea of a city. The towns of Cambodia had grown up around marketplaces; Phnom Penh itself owed its expansion to French colonialism, Chinese commerce, and the bureaucracy of the monarchy, followed by that of the republic. All this had to be swept away and an egalitarian rural society put in its place.*

Ponchaud quotes a political official who explained to him: "The city is bad, for there is money in the city. People can be reformed, but not cities. By sweating to clear the land, sowing and harvesting crops, men will learn the real value of things. Man has to know that he is born from a grain of rice!"

The ideological pedigree of this line of revolutionary thought and action can be traced back to the Maoist reformulation of Marxism-Leninism. Mao's faith in the peasant masses was always a distinctive feature of his own "Oriental" brand of Marxism. This faith prompted him to glorify precisely those aspects of the peasant mentality that most moderns, including Marxists, have seen fit to scorn.

Mao readily admitted that the peasants were "poor and blank," but he insisted that these very qualities rendered them innocent and uncorrupted by comparison with the effete and philistine cityfolk. Maoism made poverty and ignorance a virtue. The benighted state of the Chinese peasantry meant that they were more malleable and less materialistic than their urban(e) counterparts. Mao's ideological mentor, Li Ta-chao, had taught him that the cities were hotbeds of decadence, that salvation could only spring from the simplicity of rural life.

It is hardly surprising, therefore, that in 1958, when Mao launched his Great Leap Forward, designed to make China the first socialist country to achieve full communism, he made the rural-based people's communes the cornerstone of the movement. Later, after the Great Leap had failed, Mao instituted the *hsia hsiang* ("Go Back to the Countryside") campaign, forcing a large-scale migration from the cities (between 10 and 20 million people, by most estimates). Mao explained this policy in terms that presaged the Kampuchean experiment:

> *It is very necessary for educated young people to go to the countryside to be re-educated by the poor and lower-middle peasants. Cadres and other people in the cities should be persuaded to send their sons and daughters who have finished junior or senior middle school, college or university to the countryside.*

By putting a hand to the hoe or a shoulder to the plow, city dwellers, Mao believed, would get "a profound class education."

It was just this kind of thinking that apparently guided the Organization in

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**The Vietnamese invasion, although it "liberated" Cambodia from a brutal tyranny, was denounced by Prince Sihanouk at the United Nations. The UN Security Council's attempt to pass a resolution calling for Vietnam's withdrawal was vetoed by the Soviet Union. Heng Samrin's Vietnamese-backed government is now in control of the major cities and most of the Cambodian countryside, but the forces of the deposed Pol Pot regime continue to carry on a protracted guerrilla war from their base areas along the Thai-Cambodian border. Due to the support of the People's Republic of China and the Association of Southeast Asian Nations (ASEAN), the ousted Pol Pot government continues to hold Cambodia's seat in the United Nations. In July 1981, a conference on Cambodia met at the United Nations and passed a unanimous resolution calling for Vietnamese withdrawal. The same conference also asked for UN-supervised elections and a guarantee of Cambodian independence. Vietnam, the Soviet Union, and the Eastern Bloc countries boycotted the conference.

Kampuchea. "It is the people alone who confer true diplomas," was a popular slogan. "Intellectuals are nothing but lazy good-for-nothings," was another. In one of his most important speeches, Pol Pot admonished the youth of Kampuchea: "You should learn while working....The more you work, the more you learn."

In the history of Western political thought, Marxism stands out as perhaps the single most elaborate defense of equality. "Equality as the groundwork of communism is its political justification," said Marx. Yet Marx never extolled the virtues of poverty. Neither, for that matter, did Lenin or Stalin. Mao was the first "Marxist" to discover the value of poverty as a source of human virtue. Once again, it was the chemical reaction resulting from the combination of Marx's love of equality and Mao's exaltation of poverty that seems to have produced the deadly precipitate that nearly destroyed Cambodian society. Whereas Marx postulated that justice demands total equality and Mao presupposed that only the poor can understand the true meaning of justice, the leaders of Kampuchea, as we are about to see, wrenched both Marx and Mao out of their contexts and made justice synonymous with equal poverty.

EQUAL MISERY FOR ALL

What was life in Kampuchea like? To begin with, Kampuchean society was hermetically sealed. Contact with the outside world was almost completely cut off for nearly four years. The only glimpses we have gotten are based on eyewitness accounts of a few tourists and thousands of refugees who fled across the border into Thailand. The refugees have painted a lurid picture of mass executions and purges. They tell chilling tales of the systematic murder of teachers, civil servants, military officers, Buddhist monks, and intellectuals. They claim that people who complained about long work hours or short food rations were taken away at night and shot—sometimes whole families.

Work was made into the highest duty and greatest joy in Kampuchean life. The work force was strictly regimented. Work was incessant—a few daylight hours were occasionally set aside for "leisure time," which was generally spent in political indoctrination sessions. (Everyone was required to commit to memory the Twelve Commandments of the Angkar. The Eleventh Commandment is especially apposite: "Thou shalt continually join in the people's production and love thy work.") According to some reports, there were no days off; other reports indicate that a day of respite was granted at 10-day intervals. Almost everyone in Kampuchea did one of three things: grow rice; build dams, dikes, and irrigation canals; or work in one of the few factories still operating.

Food was a constant concern. The Kampuchean authorities told visiting journalists that each peasant was allotted three condensed-milk cans of rice per day (roughly 26 ounces of uncooked rice). That amount would probably have provided sufficient caloric intake, but refugees claim they never actually received a full ration. They tell of gnawing hunger that was seldom appeased by the watery rice gruel they were normally served twice a day. (According to refugees from one district in Battambang Province, authorities announced in the summer of 1978 that the daily ration would be cut to one condensed-milk can of rice for every four people.)

The people of Kampuchea ate in communal kitchens; in most villages and communes, private cooking was forbidden, although most families would have

UNDER THE KHMER ROUGE, THE ENTIRE POPULATION OF CAMBODIA WAS UPROOTED AND RESETTLED

Burk Uzzle/© Magnum

THE LEADERS OF KAMPUCHEA SEEMED TO TAKE REVOLUTIONARY PRIDE IN THE FACT THAT EVERYONE IN THE NEW CAMBODIA WAS AT LAST EQUALLY POOR.

lacked the utensils with which to cook anyway. Material possessions were reduced to a bare minimum: a spoon, a water jar, and a dipper. Everyone was poor and everyone was equal. Indeed, the leaders of Kampuchea seemed to take revolutionary pride in the fact that everyone in the new Cambodia was at last equally poor.

As in most utopian experiments, children were separated from their parents. All children above the age of six became the "children of the Organization," living in their own barracks with their own communal kitchens. The children's biological parents were replaced by political "parents." Biological parents were permitted to see their children only on rare occasions.

The Khmer words for father and mother were expunged. The period of Communist rule was called the "mom-dad period" because *all* adults were addressed by their juniors as "mom" or "dad." People of the same generation called each other "junior comrade," and parents called children "comrade child"—in this manner, the principle of equal poverty was also applied to family life in Kampuchea.

At the risk of being accused of dwelling on horrors, one must note that estimates of mortality rates under the Pol Pot regime are staggering. A figure generally used suggests that perhaps 2 million or more souls out of a prerevolutionary population of 7 or 8 million may have perished as a direct or indirect consequence of Communist rule in Cambodia. These same estimates frequently place the number of political executions at around 200,000 or about 10 percent of the total deaths due to all causes.

There are at least two pitfalls, however, in all attempts to quantify the horrors of the Cambodian Revolution. Because of the iron curtain of isolation drawn around the country by the Organization during the period when these atrocities were being carried out, there is no way to verify the casualty figures. Political regimes do not publish statistics on deaths due to purges, famines, or plagues—especially when official actions are so deeply implicated in the complex of causes. In most cases, these "statistics" are long since dead and buried.

But there is another, more important reason for avoiding statistical summaries of the Cambodian holocaust. In this case, numbers somehow conceal more than they disclose. The numbers are shrouded in anonymity; the real victims all had names and faces. The cold figures, however much they may overestimate (or underestimate) the actual number of casualties, obscure the larger sense in which every man, woman, and child in Cambodia was a victim of the Organization's political obsessions. Families were torn asunder, children were orphaned, communities were shattered, property was expropriated—in short, the lives *of* all were wrecked in the name of a better life *for* all.

Again, sociological explanations do not suffice. The Cambodian Revolution represents both the triumph and the tragedy of an idea that was embroidered into an ideology well over a century ago by Karl Marx and Frederick Engels. It goes without saying that Marx made economic equality synonymous with the good life. In order to usher in the coming Age of Equality, Marx believed, it would be necessary to engage in "class struggle" and, ultimately, violent revolution. Marx reserved a special place for the Communist Party in the revolutionary struggle, but he also insisted that "the emancipation of the working class is the task of the working class itself."

It was Lenin, the founder of the Soviet empire, who declared that without the revolutionary "vanguard" (that is, the Bolshevik Party), "there is no conscious activity of the workers." Thus, a seemingly innocuous doctrine laid the groundwork for the building of an omnipotent party organization—an organization christened by Lenin as "the vanguard of the proletariat." In Kampuchea, this organization became "*the* Organization" with a capital *O*. It was, literally, the Organization on High: it represented an invisible force with the power of life and death over the people.

The Organization in Kampuchea, according to Ponchaud, became "a new divinity to which the people are to devote themselves body and soul." The radio broadcasts were frequently designed to reinforce the deification of the unseen Angkar: it was something to be "believed in"; it was "loved"; its "blessings" were "remembered"; it was "thanked for the good it has done us, for freeing us from slavery," for "resurrecting the national soul," and so forth. The people were taught to say, "The Angkar gave me a second life!"

JUMPING OFF THE BRIDGE

Neither Marx nor Lenin, of course, had any way of knowing what would happen when "Marxism-Leninism" was introduced into a non-European culture. Marx predicted that proletarian revolution would occur where the proletariat was most fully developed as a class—that is, in the relatively advanced industrial societies of Western Europe.

It is commonly said that Mao was the "theorist" who adapted Marxism, an

ideology tailored to fit the contours of industrial capitalism, to the needs of a downtrodden, overpopulated, peasant society. Perhaps. But Lenin faced the same sort of "theoretical" problem—how to launch a proletarian revolution in a peasant society—long before Mao came of political age. Lenin solved the problem in the same pragmatic spirit Mao was to emulate later: he called for "the revolutionary-democratic dictatorship of the proletariat and the peasantry."

Here is how Stalin explained the meaning of the new "Leninist theory of revolution":

Where will the revolution begin? Where industry is more developed, where the proletariat constitute the majority, where there is more democracy—that was the reply usually given formerly.

No, objects the Leninist theory of revolution; not necessarily where industry is more developed, *and so forth. The front of capitalism will be pierced where the chain of imperialism is weakest, for the proletarian revolution is the result of the breaking of the chain of the world imperialist front at its weakest link; and it may turn out that the country which has started the revolution, which has made a breach in the front of capital, is less developed in a capitalist sense than other, more developed, countries, which have, however, remained within the framework of capitalism.*

Lenin's "weakest link" theory thus rejected the "industrial" component of Marx's concept of industrial revolution without, of course, rejecting the "revolution" component. In this regard, Lenin represents a kind of bridge over the chasm that divides Marx's "Western" theory of revolution from Mao's "Eastern" theory.

When the "Marxist" leaders of Kampuchea looked down into the abyss yawning beneath their feet, they were overcome with vertigo: what they saw was the same thing Marx, Lenin, Stalin, and Mao had seen before them. They saw the Holy Grail of Absolute Equality. What they failed to realize, like their ideological precursors, is that there is no way to retrieve the prize without jumping off the bridge.

Having made the "great leap," there is no turning back. Stalin, for example, would stop at nothing to bring about the collectivization of agriculture. Isaac Deutscher, in his well-known political biography of Stalin, describes this episode:

Within a short time rural Russia became pandemonium. The overwhelming majority of the peasantry confronted the government with desperate opposition. Collectivization degenerated into a military operation, a cruel civil war. Rebellious villages were surrounded by machine-guns and forced to surrender. Masses of kulaks *were deported to remote unpopulated lands in Siberia. Their houses, barns, and farm implements were turned over to the collective farms—Stalin himself put the value of their property so transferred at over 400 million roubles. The bulk of the peasants decided to bring in as little as possible of their property to the collective farms which they imagined to be state-owned factories, in which they themselves would become mere factory hands. In desperation they slaughtered their cattle, smashed implements, and burned crops. This was the* muzhiks' *great Luddite-like rebellion. Only three years later, in January 1934, did Stalin disclose some of its results. In 1929 Russia possessed 34 million horses. Only 16.6 millions were left in 1933—18 million horses had been slaughtered. So were 30 millions of large cattle, or about 45 percent of the total, and nearly 100 million, or two-thirds of all, sheep and goats. Vast tracts of land were left untilled. Famine stalked the towns and the black soil steppe of the Ukraine.*

To a detached observer of these tumultuous events in Stalinist Russia, it may well have appeared that Stalin had gone to the outer limits of the politically possible in pursuing his program of social transformation. The leaders of Kampuchea would prove otherwise.

PRIMITIVE PROGRESS

In pushing their utopian program to new extremes, the demigods of the new Cambodia drew heavily upon the thought of Mao Tse-tung. China's Great Leap Forward represented a massive assault on elitism, conservatism, capitalism, careerism, commandism, individualism, philistinism, and countless other bourgeois deviations. But Mao not only wanted to root out specific "poison weeds"—he also wanted to institute a new science of horticulture. His goal was to create an absolutely classless society of unselfish comrades based upon the commune as the principal unit of economic and social activity.

It is generally believed that the communes were an original contribution of Mao to the Marxist revolutionary tradition. Actually, Stalin broached the idea at the beginning of the First Five-Year Plan. Adam Ulam has pointed out that in January 1930 it was announced that "the Central Committee directs the Commissariat of Agriculture...to work out in the shortest possible time a Model Charter of the artel form of the collective farm, as a transitional stage toward full commune, taking into consideration the impermissibility of admitting kulaks into it." Ulam comments that this resolution "suggests that had the plan worked as intended, even then the fully collectivized peasantry would not be left in peace: there would be (sooner rather than later) a *new* campaign to turn all the remaining artels into communes. It is not difficult to see where Mao Tse-tung got the idea for the Great Leap Forward and for turning Chinese collectivized farms into communes with the result that famine and other catastrophes struck the Chinese economy in the 1950s and early 1960s."

Stalin, of course, did not get around to implementing this plan. It was Mao who actually devised a strategy for the communization of the countryside. As it evolved in the late 1940s, the initial stages involved land reform and redistribution. In the early 1950s, the results of land reform (putting land in the hands of peasant landowners) began to be reversed. So-called mutual aid teams consisting of 5 to 10 households were established. These units would pool their efforts during the planting, growing, and harvesting seasons. Participation was voluntary, and property—including land, tools, and animals—remained in private hands.

Within a year or two, Mao began introducing into the rural areas "lower producers cooperatives." These consisted of 20 to 25 households; they pooled their land, tools, and animals but were paid according to their individual contributions of capital as well as labor. In this way, the form of property ownership was preserved at the same time as the substance was being changed.

When the government announced in 1953 that all surplus grain had to be delivered to the state-controlled market at fixed prices, considerable peasant resistance developed. The collectivization movement stalled for a short time until, in 1955, Mao once again personally intervened. The year 1955 was a good year for Chinese agriculture—good enough, Mao decided, to launch a new stage in the drive for complete collectivization.

This advanced stage involved the reorganization of Chinese agriculture into "higher producers cooperatives." Private land ownership was now put to an

end, and peasants were paid according to work points and work days. Higher producers cooperatives resembled Soviet collective farms: they were large enough to encompass whole villages and in some cases whole counties. During 1956, perhaps 75 percent of the agricultural land was brought into these Chinese-style collective farms. Again, the peasants resisted. Again, Mao was undaunted; in 1958, despite several years of domestic turbulence, the chairman launched the Great Leap Forward—the final drive to bring full communism to the People's Republic of China.

The fact that the Great Leap was a disastrous failure did not deter the Kampuchean leadership from emulating it. The extent to which the Cambodian Communist Party consciously imitated Mao Tse-tung's policies is little short of astonishing. The Kampuchean leaders even called their communization drive the "great leap forward."

China's Great Leap Forward had apparently made a deep impression on Cambodia's future Communist rulers long before their assent to power. Already in the 1950s, Mao's strategy of rural-based revolution was of sufficient interest to Hou Youn and Khieu Samphan (two of Kampuchea's top-ranking officials) to serve as the focus of their Ph.D. dissertations at the Sorbonne in Paris. Well before the Khmer Rouge victory in April 1975, Chinese-style mutual aid teams were set up in the "liberated" zones of Cambodia. By 1973, lower-level cooperatives began to appear; these cooperatives, like their earlier Chinese counterparts, pooled land, tools, and draft animals, as well as labor. The following year, higher-level cooperatives, wherein everything was shared, including the fruits of the harvest, were initiated. It was no accident that this pattern was almost an exact replication of the Chinese prototype for agrarian communization.

Ponchaud takes note of this striking parallelism and the paradoxes it produced:

The Chinese revolutionary principles embodied in the writings of Mao Tse-tung have been taken over and pushed as far as they will logically go, and Marxist praxis undertaken to apply them. "The revolution draws its strength from the peasant masses." "Wars are won by encircling the town with the countryside." Carried to extremes, this theory leads to the abolition of towns. "Rely on nothing but your own strength" is a golden rule which China can follow with no trouble at all, for China is a continent in herself. But little Kampuchea, with its meager economic resources, is inviting total asphyxiation by trying to apply the same principle all at once without qualification. "Capitalism is bad"—therefore, the Khmer revolutionaries conclude, they must do away with money and return to a barter economy. In this respect they even boast they are the most advanced Communists in the world.

For the Cambodian Communists, progress became synonymous with an infinite regression toward what can only be described as a primitive state of social existence.

IN THE NAME OF PARADISE

The foregoing observations point to four general conclusions. First, ideas really do matter in political life. Sociological explanations of the major revolutions of our times are inadequate. They help to explain the frustration and anger that spawn revolutionary heroes and energize the huddled masses, but they do not account for the channels into which mass energies are ultimately directed. Only when ideas are converted into mass ideologies is there a motive force sufficient to propel a revolutionary

CAMBODIAN REFUGEES IN CAMP NEAR THE THAI BORDER

Burk Uzzle/© Magnum

THE ORGANIZATION IN KAMPUCHEA, ACCORDING TO PONCHAUD, BECAME "A NEW DIVINITY TO WHICH THE PEOPLE ARE TO DEVOTE THEMSELVES BODY AND SOUL."

mass movement in one direction or another.

Second, Marx's heirs have committed the double sin of simultaneously taking their progenitor too seriously and not taking him seriously enough. They have taken his utopian egalitarianism too seriously and have largely disregarded his "dialectical materialism." This criticism has nothing to do with the "scientific" validity of Marx's theory of history; it has everything to do with the political consequences of rejecting the basis for the Marxist prophecy while continuing to embrace the utopia that presumably awaits the prophecy's fulfillment.

Here a word of explanation is in order. The principal bearers of the Marxist revolutionary tradition in the 20th century have elevated their own role, and that of the movements they spearheaded, to a much higher plane than a strict interpretation of Marx's theory of history would have permitted. In every case, they found Marx's dialectical materialism, with its inexorable succession of discrete historical stages, far too confining for their own political ambitions. From Lenin and Stalin to Mao and Pol Pot, Marx's 20th-century heirs have sought to replace his historical determinism with their own special brands of political voluntarism. Once Marx's theory of history was abandoned, there was nothing the omnipotent Party, or Movement, or Leader could not do. In Soviet Russia, Stalin built a "cult of personality"; in Kampuchea, "the Organization" was deified. As a result, Marx's materialistic political ideology has been turned into a totalitarian instrument of voluntaristic political action.

Third, when ideologies are transplanted from their native culture to an alien culture, the results are unpredictable. François Ponchaud provides a glimpse of the explosive mixture that resulted from the combination of a European ideology with an Asiatic culture:

> *[One] cause of the radicality of the Khmer revolution lies in the Khmer way of reasoning, which is bewildering to Cartesian minds. The Khmer thinks by accretions or juxtapositions, but adheres strictly to the rules of his own internal logic. In the past, before beginning to act, every committee or council spent long hours and sometimes days drawing up statutes from which nothing was omitted, and constructing schemes, each more impracticable than the last. A simple idea, intuitively perceived, was pushed to the limits of its internal logic and often to the point of absurdity, without any regard for the realities or any forethought for practical consequences.*

It is not difficult to see how Marxism-Leninism, "pushed to the limits of its internal logic," could have produced the tragic experiment that demolished Cambodian society. The "simple idea" Ponchaud refers to might well have been the "intuitively perceived justice" of social and economic equality. Maoist revolutionary principles were then seized upon and pushed "to the point of absurdity." So also were Lenin's practical lessons in organization and propaganda. And Stalin's methods of labor regimentation. And so forth.

The fourth and final conclusion is that utopianism in any cultural context can too easily be turned into a justification for tyranny. This is the paradox of unbounded idealism. The history of Marxism in the 20th century has demonstrated only too clearly that it is possible to wish mankind too well. By holding out the prospect of unlimited good, Marxism's practitioners have been able to justify unlimited evil. It was Stalin who said, "If you want to make an omelette you have to break some eggs." Mao was less delicate:

> *A revolution is not a dinner party, or writing an essay, or painting a picture, or doing embroidery; it cannot be so refined, so leisurely and gentle, so temperate, kind, courteous, restrained, and magnanimous. A revolution is an insurrection, an act of violence by which one class overthrows another.*

Stalin and Mao were both indebted to Lenin for this novel doctrine of "revolutionary morality." In Lenin's own words: "Our morality is completely subordinated to the interests of the class struggle of the proletariat. . . . Morality is that which serves to destroy the old exploiting society." As a consequence, Lenin said:

> *We deny all morality that is drawn from some conception beyond men, beyond class. We say that it is a deception . . . a fraud and a stultification of the minds of the workers and peasants in the interests of the landowners and capitalists."*

When the leaders of Democratic Kampuchea finally got their chance to make an omelette, they broke a lot of eggs. They subordinated all civilized standards of morality to "the interests of the class struggle"—interests that were defined and dictated by the omniscient Organization. The egalitarian paradise they set out to create degenerated into an impoverished hell that differed from the poet Virgil's description in only one detail—in Kampuchea, it was not a metaphor. ◻

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VIEWPOINT

Seeing Political Invisibles

BY JAMES DALE DAVIDSON

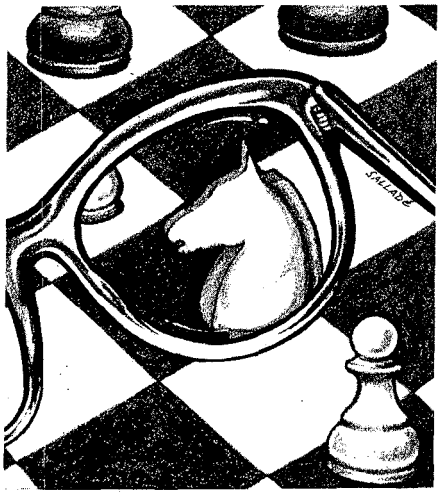
Recently, in a sporting goods store, I saw a display advertising polarized glasses for fishermen. It sat on the shelf near bottles of Tom Mann's Blueberry Jelly Worm Oil. Put the glasses on and presto—you see the fish on the display. Take them off, and their lined forms disappear into the cardboard stream. A bit of magic that probably sells a few sunglasses. There is also a metaphor there for life, especially political life. By filtering out some of what we would otherwise see, the invisible can become apparent.

I think about this because I have been frustrated for years in trying to develop and convey a theory about why politics malfunctions. In its essence, this theory is as simple as a line drawing of a fish in water. Political outcomes are largely determined by selfish behavior—a reasonable notion. Adam Smith said something very similar more than two centuries ago. It is a view for which gobs of confirmation can be found in any morning's newspaper. Yet even very bright people apparently cannot or will not grasp what it implies.

Test yourself. Do you believe that, had the public been better informed 50 years ago, government would not have grown as it has? I don't. Do you believe that it would be rational for the members of Congress to vote to balance the budget under current circumstances? I don't. Do you imagine that it will ever be possible for the Libertarian Party to attract support of more than a bare chemical trace of the electorate? I don't.

The reason, in every case, is that I expect selfish behavior to dominate public-spirited behavior. I expect individuals to prefer more to less. And, that being so, they are no more likely to sacrifice their own utility in order to raise that of others than a businessman is to routinely give away his services and merchandise. Remember what Adam Smith said. He wrote that everyone has many opportunities to dispense bounty, but the butcher, the baker, and the brewer routinely don't. If you expect to have your supper, you cannot depend upon them to dish it out to you "from benevolence alone."

Yet the same untenable assumption—that outcomes are determined by benevolence—prevails to this very moment in our attitude toward political arrangements. It prevails among advocates of big government; it also predominates even among those who are committed to the preservation of a free society. Time and again, market-oriented groups have adopted strategies that depend for their success upon a theory of behavior that we know is totally unreliable in the economic realm.



This is so with the Libertarian Party. Its vote totals are probably a good indicator of the degree of charitable spirit and fellow-feeling in the constituencies where it runs. It can command respectable, but still tiny, fractions of the vote in some areas of the West; but in the East, where the politics of selfishness is furthest advanced, a Libertarian candidate has no more hope of success than a Prohibition candidate.

Before any "Libertarian Party" achieves success, it would necessarily have to conform to the existing configuration of economic interests and selfish demands, which would make its success a matter of small moment for most of its current supporters. Not that this sort of frustration is unique to Libertarians. Conservatives, too, are prone to believe that ideology or good judgment (theirs) can determine policies on a much wider range of issues than is actually the case. Witness the pronouncements of the Conservative Leadership Conference of a few months ago. The conservatives were burned up because the Reagan administration was doing things that are "wrong."

I would share some of their concerns in the areas where I agreed with them, principally on the questions of the economy. But I certainly wasn't surprised. They were. On issue after issue, speakers pointed out that Ronald Reagan the candidate had indicated one thing, while Ronald Reagan the president had been obliged to do another. I say "had been obliged." They really did not see it that way. The prevailing view seemed to be that the problems with the Reagan administration could be traced to the malicious work of White House aides who keep the president from reading his weekly copy of *Human Events.* No one seemed to notice that the decisions in question involved economic interests that were likely to assert themselves.

Midge Decter gave a particularly silly speech about foreign policy in which she explicitly said that she was not interested in examining the influences that informed the decisions with which she disagreed. And why not? She simply did not care. What bothered her was not who made the decisions, or why they were made, but simply that they had been made incorrectly (in her view).

I couldn't believe it. Tens of billions of dollars were at stake, and otherwise intelligent people were refusing to draw a connection between the outcome and the incentives of well-organized groups to protect their own interests. How would anything so obvious be so invisible? Yet it was. A room full of intelligent people sat there and applauded speech after speech implying that profit-seeking is so insignificant in politics as to be ignored.

We need polarized glasses—something to enable us to see the "invisible hand" at work determining political outcomes. If we would only lay bare its hidden logic, we could see that politics, too, has its law of supply and demand. And the counterproductive policies of government that are driving this and other societies to ruin, are not, precisely speaking, mistakes. They are rational responses to perverse incentives for which the only possible cures lie at the constitutional level.

Jim Davidson is founder and chairman of the National Taxpayers Union and author of The Squeeze.

Illustration by Susan Sallade

TAXES

Tax Protest Blues

BY TIMOTHY CONDON

The business of publicly pressuring government to reduce income taxes through protest actions—as opposed to "private" routes to tax reduction, such as hiding income, engaging in barter, etc.—is becoming increasingly dangerous. As Americans more and more get fed up with the obscene tax load they're being forced to bear, the government finds it necessary to clamp down tighter and tighter, spreading fear and confusion in the ranks of their enemy, the people.

This turn of events became quite clear when the Economic Recovery Tax Act (ERTA) of 1981 was passed amid much media ballyhoo and statist handwringing. The tiny tax cuts included in the act—which don't even constitute a real tax cut at all, but rather a slowing in the *rate of increase* of taxes—are somewhat belied by the nasty new weapons given to the IRS in the same bill. No one seems to be talking about *them.* Apparently, the attitude is, "We're giving the taxpayers a Big Break by lessening the rate of tax increases, so they'd *better* pay up."

Some examples include the new penalty whereby you can be fined $500—up from $50—for putting false information on your W-4 at work for the purpose of causing less withholding from your paycheck; new penalties ranging from 10 percent to 30 percent for overvaluation of property resulting in higher depreciation deductions; another penalty equal to 50 percent of the interest due when the IRS finds that you've been "negligent" in preparing your return; and a new, general-interest penalty of 20 percent per year—up from 12 percent—which went into effect in February (and wasn't part of the ERTA). Those are just recent additions to the already formidable arsenal of interest charges, penalties, fines, and jail terms the IRS can dish out to us taxpayers.

Which brings us to the subject of tax protest actions. We're all treated to the recurring spectacle of people trying through one stratagem or another to reduce their tax bite and seeing the IRS instantaneously spring into furious activity, immediately stomping out any such protest, much like the Polish government snuffing out the flame of Solidarity.

Such tax protests take the form of constitutional stands, where it is pointed out that the Fifth Amendment absolves anyone from testifying against himself through filing a tax return that can later be used to convict him of a crime or that the Constitution specifically mandates that "money" shall only be gold and silver coin and therefore you didn't get paid any "money" last year. Or the stand may be that the inflation that government causes must be taken into consideration, to the taxpayers' benefit, when figuring taxes. And the taxpayers always lose.

Then there are the "family estate trusts" or "pure equity trusts," which usually involve assigning your income to a legal entity so that you "have no income" to pay taxes on. Or maybe you've heard of those who just load up their W-4s at work with 20 or 30 exemptions, so that little or nothing is withheld from their paycheck. And there are those who form "churches," then juggle around records and income to prove that the church is "bona fide" (although the First Amendment doesn't contain any such requirement of proof) and thus tax-exempt.

Let me tell you right now: if you try any of these moves, and come to the IRS's attention, you are going to lose—lose money, lose time, lose face, perhaps lose everything if they can happily cause that to happen. Because none, *not one*, of the tax protest schemes noted above have any basis in law as interpreted by the courts today...which says nothing about whether or not they're constitutionally "correct." As a result, they simply will not "work" to save you from taxes.

All of which is not to denigrate the brave people who stand on principle in opposing the awful looting of productive people in America today. Everyone knows something has to be done, and this is reflected in the growth of Proposition 13–like initiatives, the growth of tax protests everywhere, the growth of organizations like the National Tax Limitation Committee and National Taxpayers Union, and the growth of the Libertarian Party itself, the only large-scale political party in America truly opposed to oppressive taxation.

But the fact is that the tax-reduction schemes above will not work. The courts have examined each and every one myriad times and always come out on the side of the government, with a very few exceptions where a jury was sitting that could block the authorities.

Which leaves us with what? Just this: there are two, and *only* two, ways that people can and do reduce their taxes. One is through planning and studying and hiring experts to exploit the many crevices in the tax law. The other is undoubtedly the most massive and broad-based "tax protest" of all, the nearly unbelievable explosion of the "underground economy"—the unrecorded, unseen, and untaxed "second economy" that consists of people hiding money, engaging in barter, refusing to report income, engaging in extensive business dealings and practices that simply do not show up on the IRS computers and that can be tracked only with the greatest of difficulty. If you don't believe it, just ask a Mafia soldier in New York, a ghetto dweller in Chicago, a marijuana grower in California, a cocaine importer in Florida, a gambler in Nevada, not to mention millions upon millions of otherwise law-abiding people throughout the country who have enthusiastically dived into the subterranean economy as tax rates have gone out of control.

In fact, the subterranean economy may turn out to be "the ultimate tax protest," and rightly so. During Prohibition, Americans massively rejected a ban on alcoholic beverages, thus making a mockery of the law. Today, it appears that Americans are increasingly deciding to reject the ban on being able to keep and use their money. In doing so, they're making a mockery of the tax system—and steadily, stupendously, and unstoppably increasing the pressure to do something about a tax system, and a free-spending government, run amuck.

Do you have a tax question? Mr. Condon may have the answer. Send your query along to REASON Taxes, Box 40105, Santa Barbara, CA 93103. (A limited number of reader questions can be answered in print; personal replies cannot be made.)

Timothy Condon is an attorney and tax specialist practicing in Florida.

Sex Play

BY DURK PEARSON AND SANDY SHAW

The biochemistry of sex is complex, and much remains to be determined. Discoveries about some aspects of sexual function, however, allow individuals more control of sexual expression and satisfaction. In this column, we discuss a few ways to augment sex experiences.

Areas of the brain involved in sex use the primitive neurotransmitters (substances used by nerve cells to communicate with each other) acetylcholine, dopamine, norepinephrine, and serotonin. When there are inadequate quantities of these neurotransmitters or the nerve-cell receptors are insensitive or too few in number, there can be a decrease in sexual interest and activity.

Depression is usually accompanied by a decline in sexual interest. In several clinical trials, depression often responded to small quantities of the amino acids phenylalanine and tyrosine, which are used by the brain to make both dopamine and norepinephrine. In one clinical trial, about 80 percent of depressions of a wide variety of types were completely alleviated by 100-500 milligrams of phenylalanine a day for two weeks.

Excess phenylalanine can cause irritability, aggression, and insomnia. For best results, take on an empty stomach (some amino acids compete with each other to enter the brain). Tyrosine has also been found effective in similar doses. A word of caution: persons with high blood pressure should use tyrosine or phenylalanine with care because, at high doses, a small percentage of sensitive persons may experience higher blood pressure. Start at a low dose and increase slowly over a period of days to a few weeks, measuring blood pressure frequently while doing so.

Dopaminergic stimulants (substances that activate parts of the brain using dopamine as a neurotransmitter) such as the amino acid prescription drug L-Dopa and the ergot derivative prescription drug bromocriptine frequently cause an increase in libido as a side effect. Medical authorities often consider this a problem in institutionalized patients!

Sometimes, depression may be alleviated by increasing brain supplies of acetylcholine (except in the depression of manic-depressive psychosis, which may be worsened). This may increase sexual activity as well; in our limited clinical experience, nobody under the age of 40 has had this experience, but it is common in people in their 50s and 60s.

Choline, lecithin, and the prescription drug Deaner® (Ricker Laboratories) increase brain acetylcholine. Effective dosages were 3 grams a day of choline or 80 grams a day of lecithin. Vitamin B-5 is required for the conversion to acetylcholine, so a supplement of this vitamin should also be taken for best results. In some clinical trials involving older persons, only a minority benefited, which we think may be due to inadequate availability of vitamin B-5. Too much cholinergic stimulation results in aching or stiff muscles or headache.

The amino acid tryptophan has recently been found to be very effective in alleviating some depressions, especially those involving excessive aggression and sometimes violent suicidal attempts. Tryptophan is converted in the brain to the inhibitory neurotransmitter that decreases nervous activity, serotonin. In some patients given tryptophan, hypersexuality developed. Typical human doses are 1-3 grams taken at bedtime on an empty stomach. Too much tryptophan can cause drowsiness, headache, and stuffy nose.

One of the chemical events leading to orgasm is a release of histamine, a substance with many functions. For example, it is a growth promoter required for healing (it causes that itchy sensation in healing wounds). In people and animals having inadequate histamine release, orgasm may be difficult or even impossible to achieve. Histidine is an amino acid that is converted into histamine in the body. It is found in foods such as meats, dairy products, and some wines. In order for the histidine to be made into histamine, vitamin B-6 is required.

Niacin is of interest because it causes the release of histamine, producing the flushing and itching some people complain of when they take large doses of niacin and the sex flush described by Masters and Johnson. We often take a dose of niacin a half-hour or so before having sex, because it augments the natural histamine release associated with orgasm.

About 20-25 percent of male impotence results from the pituitary gland's excess secretion of the hormone prolactin. Inadequate dopaminergic stimulation, which generally declines with age, is one cause of such excess secretion. The prescription drug bromocriptine (Parlodel®, Sandoz) suppresses prolactin and is very effective in reversing this type of male impotency.

Bromocriptine also increases libido in about 80 percent of those who take it, whether male or female. It has other unusual effects, as well. Some postmenopausal women given bromocriptine for excess prolactin begin menstrual cycling again and are warned to use contraceptives to prevent possible pregnancy at advanced ages. This phenomenon has interested us in the possible use of bromocriptine and related compounds for use against aging clocks (of which menopause is one).

Vasopressin is another pituitary hormone that has several functions, including regulation of urine volume. It is also involved in learning and memory. In a study of men in their 50s and 60s, 16 iu a day (about 8 snorts) of the intranasally administered prescription drug Diapid® (Sandoz), a synthetic version of vasopressin, caused a significant increase in memory and learning, as well as a faster reaction time, and did not have any side effects. (Vasopressin should be avoided by those with angina pectoris, however, because it may initiate an attack.)

We have been using vasopressin for its intelligence-boosting effects for a few years and also found that it prolongs and intensifies orgasms, an effect not mentioned in the scientific literature! It has a short half-life in vivo, less than two hours, and should therefore be used just before sex if it is to have the orgasm-enhancing effect.

A vitamin may be able to increase your sexual stamina. Vitamin B-5 (pantothenic acid or calcium pantothenate) is a part of the co-factor acetyl coenzyme A that is required to produce energy in the body

(Continued on p. 62)

We invite questions of general interest from our readers. Send your query along to REASON Health & Welfare, Box 40105, Santa Barbara, CA 93103. (A limited number of reader questions can be answered in print; personal replies cannot be made.)

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Nader Rater

BY PATRICK COX

Dan Burt has a talent for attracting attention. The media first noticed him as an attorney representing US companies in the Middle East from 1973 to 1975. In 1980, at the age of 37, he retired from his lucrative private law practice to take over a fledgling public-interest law firm in Washington, D.C., that had two employees. Today, Capital Legal Foundation has five attorneys and is one of the most visible advocates of the free market on the Washington legal scene.

It was Capital that filed suit against the government in 1978 for violating the Clean Air Act of 1970. Capital's lawyers had found out that the power plant that provides electricity for the very quarters in which Congress passed the Clean Air Act was in violation of the legal pollution limits; a suit was brought, and the government was forced to clean up its act—and the point was made that regulations are hard on everybody.

Early in his tenure at Capital, Burt started investigating other public-interest groups, especially radical liberal ones. A registered Democrat, Burt is disdainful of groups that purport to represent the public interest and then set out to handcuff businesses that employ middle- and lower-income people. In particular, he is annoyed with Ralph Nader. Burt complains that Nader is insulated from the effects of the onerous regulations that he seeks, oftentimes successfully, to have implemented. "He's rich," Burt says. "He doesn't understand what happens to the little guy when business is punished."

Burt set several summer interns to researching Nader and his groups. When Nader's organization refused to cooperate, Burt's resolution was strengthened, and his staff dug deeper. What they found out is making headlines and attracting the big guns of the media, though they are not always pointed at Nader. Investigation at the D.C. Department of Licenses and Permits revealed that Nader organizations he was investigating had not filed information returns or exemption requests required by law. One of the most startling charges made by Burt is that the Nader groups practice "stock churning"; when one of the Nader organization's negative public pronouncements depresses a company's stock price, they buy the stock during the downturn and sell when public confidence has returned, oftentimes when the original charges are proved false.

"The Nader network," says Burt, "is a huge lobbying and opinion-making conglomerate characterized by interlocking directorates, transfers of funds among fellow organizations, often shared personnel and facilities, and an abiding passion for secrecy." The secrecy itself

DAN BURT

doesn't bother Burt that much; it's the hypocrisy of Nader's policies that arouses him. He notes that Nader is always calling for more disclosure laws for corporations, "but he lobbied against disclosure laws for lobbying groups."

Burt's research on Nader "evolved" into a new book, *Abuse of Trust: A Report on Ralph Nader's Network.* Nader's people haven't denied the charges made against them; they just say it's all "old stuff." As to why the multimillion-dollar network doesn't register with the government, a Nader spokesman explained that the laws requiring them to do so are "bothersome and unconstitutional."

Burt grows livid discussing Nader's elitist attitudes. "He is absolutely indifferent to the costs of his laws and regulations for the tax victims," says Burt. "He, like so many other new liberals, just doesn't understand that if the pie gets smaller, the poor get screwed."

Not surprisingly, Burt and his organization are accused of being conservative. Burt counters that he is old-line liberal. He accuses Republicans of lack of compassion. "I'm a '60s kid," he says, "but I'm hard-headed about economics and business."

Among the other projects that Capital has taken on is a successful challenge to a court decision that $18 million in unspent funds from the defunct US Community Services Administration be handed over to newly created poverty boondoggles. Capital recently brought suit against the government to prevent the Commodity Credit Corporation from paying US banks $71 million on overdue loans to Poland. An initial court ruling held that Capital cannot sue, but Capital is appealing. Capital has also sued the government to change the law that prohibits housewives in Vermont from working at home on knitted ski apparel. It is attempting to lower the rates that are paid to lawyers who win consumer suits against the government and is trying to prevent the Census Bureau from selling tax-subsidized software to companies using its data. Capital won a battle with the dairy lobby, which was attempting to tax or restrict imports of casein, a cheap milk protein used in foods consumed mostly by the poor.

Burt is described by many, including himself, as eccentric. He loves the things that money brings and flaunts the difference between Nader and himself. "He wears combat boots, I wear Gucci." Burt has built one home in the D.C. area and is building another. He has sailed the Atlantic twice and worries that the concept of the "gentleman" has fallen into disrepute. His father was a butcher and a fisherman, so Dan had to win scholarships to England's Cambridge University and the University of Virginia Law School. He holds a degree in law from Yale.

The self-proclaimed "intellectual from the street" is making waves on the Hill. Nader's libel suits have scared off a number of would-be critics, but Burt doesn't scare that easy; he counters that his concern is for the poor who are hurt by regulation, not for others' opinion of him. The power structure on the right and the left both hate him. "That puts me in the radical middle," he says. It looks like a pretty good place to be.

Patrick Cox is a free-lance writer.

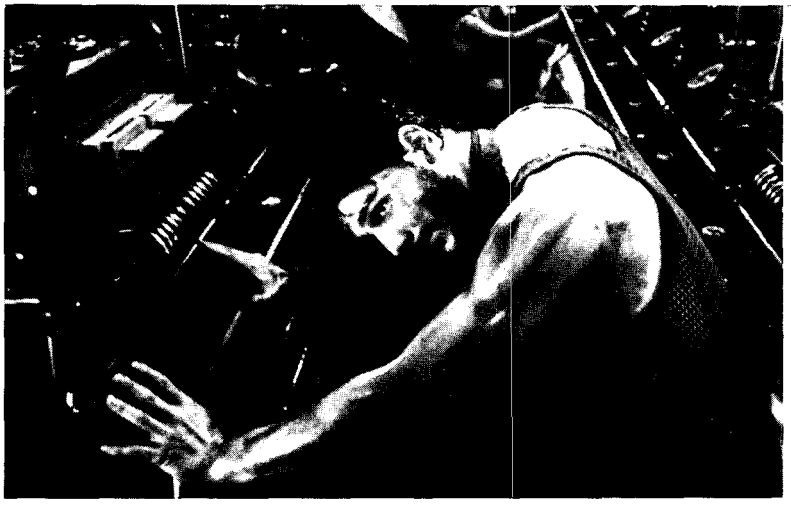
arts & letters

MOVIES

Reviewed by John Hospers

Das Boot

The film takes no sides: the "Help me!" cries of the English sailors as they jump into the cold ocean off their burning ship (hit by a U-boat torpedo) while the men on the sub watch them drown—this is treated as sympathetically as the plight of the U-boat men themselves as they are dying for lack of air when the sub lies crippled on the ocean floor. Seldom has the gruesomeness of war been more vividly rendered.



Crew member aboard German U-boat in Das Boot

The most expensive German film ever made, *Das Boot* (the boat), is also among the most harrowing and the most honestly depicted. Here is a vivid account of war seen from "the other side," as in *All Quiet on the Western Front.* The U-boat campaign against Allied shipping in the Atlantic, headlined by newspapers during World War II as "the U-boat menace," is seen here from the vantage point of the men in the U-boats.

What strikes the viewer instantly and never ceases its onslaught throughout the picture are the extremely cramped quarters in which the U-boat men must live and do their work. The sense of confinement becomes so acute that viewers with claustrophobia will almost faint from the discomfort of watching it. Almost all the action of the film takes place in the narrow confines of a submarine (one wonders where they placed the cameras), and the sense of confinement grows gradually but inexorably through the film until even nonclaustrophobic viewers are made to squirm. Besides the confinement, the danger and the unpredictability—when will the next attack come? from where? will it sink the sub?—are so effectively depicted that before the film is half over the viewer jumps (almost) on hearing the telltale noise of an approaching depth-charge.

Victor/Victoria

Victor/Victoria may be a compendium of comic gimmickry, but the comic twists are exercised on a subject fairly new to films (one's sexual identity), and the comic situations have the advantage of exploring a terrain that has scarcely been worked before. A woman posing as a man who is posing as a woman (Julie Andrews) is about as adroit a character twist as one could come up with, and the effects on the men involved (Robert Preston, James Garner) are riotous.

Most comedies depend on a small number of predictable plot twists. The main virtue of this film is that the twists are not easily predictable and there is no end to them. The film is densely textured: there are no inert interludes, no interstitial spaces; every minute contains some new and unexpected zany development, and just when one thinks a situation has been milked for all it can carry, a new and even more riotous development emerges. This happens again and again, and there is no let-up in this titillation of the audience during the entire two hours—except when Julie Andrews is singing.

Still, it's a long way from the innocent Julie Andrews of *The Sound of Music*—and a long way too from the last time Andrews and Garner were paired in a film, that marvelous World War II romance, *The Americanization of Emily.* Though the story of *Victor/Victoria* is set in Paris in the '30s, we are in a different world in this one.

David Appleby

Robert Preston and Julie Andrews in Victor/Victoria

Tim

The Australians don't always come up with a blockbuster, but they can be relied on to give us something solid and genuine, without affectation or exploitation. *Tim* is the latest in a series of these solid and satisfying films. An attractive but lonely lady (Piper Laurie) hires a mentally defective young man (Mel Gibson) to take care of her yard. He falls in love with her, and (gradually) she with him. His family—mother, father, jealous sister—are portrayed with honesty and realism; and the sequence of events—marriage of sister, death of parents, tension with upper-class in-laws—is depicted much as it would probably happen in real life. Weddings, funerals, bereavements, outbursts of jealousy, all carry the ring of truth. Through meticulous attention to revealing detail, this small domestic drama is made extraordinarily moving and effective.

John Hospers is a professor of philosophy at the University of Southern California. His recent books are Understanding the Arts *and* Human Conduct *(2nd ed.).*

THEATER

The Gold'll Come Up Tomorrow

By David Brudnoy

Of *Annie* on stage may be said what was said of the British Empire on hers: the sun never sets upon it. There is an *Annie* company performing somewhere on every continent right now, and at some point the year will bring a road show production of this phenomenally successful theatrical in virtually every major American city. Now, the movie is before us, with Carol Burnett and Albert Finney in the adults' roles and approximately the annual budget of, oh, Belize, accounted for in the production costs of the film. What was elegantly gaudy and nostalgically seedy on stage has become a Hollywood period extravaganza to rival anything this side of *Ben Hur.*

Annie richly deserves its honors, among them seven Tony awards in 1977 and the New York Drama Critics' Circle Award for best musical in the 1976-77 season. Lesser honors flowed in shortly thereafter, and then another biggie: the 1978 Grammy Award for best-cast show album. The little comic strip that had long since grown stale and nearly disappeared from America's funny pages inspired a musical of near-universal appeal, spawning a minor cottage industry in Annie items—this even before the movie, which has opened nationally—and, incidentally, breathing a bit of life back into the comic strip itself; well, not really into the strip, but into readership for it.

"Tomorrow," little Annie sings, that old sun'll come up tomorrow, and you can bet your bottom dollar that there's hardly a dry eye in the house by the time "Tomorrow" is reprised with Franklin Roosevelt, Daddy Warbucks, and the entire mid-'30s Cabinet joining the waif to sing us merrily into the New Deal as well as into Annie's bright future. And "Tomorrow" is only one of nearly a dozen songs that work perfectly in their contexts and still carry over to your breakfast the next day. This is an upbeat show, but cleverly and wittily so, and there's much of the reason for its success.

From the theatrical audience in America outside New York, the sad though useful lesson has in recent years been decisively learned: except for the occasional masterpiece of serious drama, except also for a rarity like *Deathtrap*, of which more in a subsequent column, theater offerings must be bright, expensive musicals to succeed. Increasingly, the offerings to America beyond the Hudson River are the standard items on a revolving wheel of tried-and-true musical hits: *Camelot* and *Peter Pan* and *A Chorus Line* and the like, and of course *Annie*; and after it's milked New York a bit longer, *Dream Girls* will wander across the land to join its fellow splashy attractions. But *Annie* has something that almost none of the other recent Broadway musical hits has: total victory for the good guys, just deserts for the bad.

Annie touches us where we wished we lived: in the world of punishments fitting the crime and nice guys finishing first. Once, almost all of the major American musicals presented a worldview akin to *Annie*'s; now, few do, and of them, fewer present it so unabashedly, almost gloatingly. We might well recoil from a stage show glorifying, say, the capitalist work ethic, or the United States of America as a state of mind—the failure on Broadway of *Little Johnny Jones* after one day in front of audiences says something both about the show's piquant thinness and about the critical disesteem for the nakedly patriotic—but with the same message neatly tucked into the coy little corners of *Annie*, it passes muster.

Who wins? Oliver Warbucks, billionaire, wins; Daddy Warbucks, who in the show is almost too busy to spend time with FDR but gets suckered into inviting the president to dinner, then tells his secretary to "call up Al Smith and find out what Democrats eat." FDR wins, too, since he is on hand not only to hear the orphan girl sing "Tomorrow" and lend spirit to the New Dealers at their lowest ebb, but also to enjoy Annie's delight and the villains' come-uppance in the last scene. Annie wins, but that's a given. And the American value system wins, too, if by that we mean the system that admires above all else wealth and what wealth can do, and power—Warbucks has J. Edgar Hoover in his pocket, for just such emergencies as turning the FBI into an agency to help find Annie's folks—and, with wealth and power, good cheer and fair play.

Who loses? Only the evil Miss Hannigan, who runs the orphanage and isn't cheerful and doesn't know from fair play and who survives the little girls she loathes with a daily dose of radio soaps and frequent swigs from her bottle. Miss Hannigan's slimy brother, Rooster, also loses, because Rooster Hannigan wants to get something for nothing—namely, the Warbucks reward for proving that he's Annie's father—and with Rooster, his bimbo, Lily. Lily's not a bad sort, actually, at least not in the play; she's just the sort of blonde tart in a tight dress who eases naturally into the orbit of such as Rooster, but she's a bimbo just the same. Bimbos lose. Daddy Warbucks's private secretary, who is A Lady, wins.

The audience wins another chance to see come brilliantly to life on stage everything we've been taught in grade school about the American way of life. *Annie* is gorgeous, *Annie* is sentimental, *Annie* ties up all its loose ends beneath a Yule tree as big as the Ritz, on Christmas Day, no less, and *Annie* says to us that the sun *will* come up tomorrow and that we certainly ought to be willing to bet our bottom dollar on that. The dollar, after all, is as sound as an innocent orphan girl's heart, or didn't you know?

With this column, contributing editor David Brudnoy begins a regular look in these pages at the theater. Brudnoy is the arts critic for WNAC-TV (CBS) and WRKO-AM (ABC) in Boston, and he hosts a nightly talk program on WRKO and writes on film for the Boston Herald American. *His thrice-weekly newspaper column is syndicated nationally, and he reviews books for several journals.*

BOOKS

Third World Shackles: Political or Cultural?

Equality, the Third World and Economic Delusion.
By P. T. Bauer.
Cambridge, Mass.: Harvard University Press. 1981. 293 pp. $17.50.

The Third World Calamity.
By Brian May.
Boston: Routledge and Kegan Paul. 1981. 272 pp. $19.95.

Reviewed by Ronald Nairn

When one is involved in profit-making enterprises in the Third World (that is, enterprises that work) one develops a distinct dislike, if not contempt, for the opinions of development-oriented academics and their usually specious, irrelevant, obtuse, and misleading theories. But this does not apply to Peter Bauer.

Development of the underdeveloped

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countries ought to be the great boom industry of the upcoming decades. As Bauer so clearly recognizes in *Equality, the Third World and Economic Delusion*, however, as long as development remains a prerogative of government and is equally prey to the not-dissimilar machinations of the bureaucracies of large Western corporations, the opportunities in the Third World will continue to go abegging.

Bauer reflects on the futility of today's situation by applying straightforward, practical analysis drawn from a historical overview of what has stimulated or hindered development in the past and by relating that analysis to the current plight of the Third World. Basically, Bauer makes three points.

First, he argues that government policies are the major inhibitors of development. Here he could have been even more forthright. It makes little difference whether government is socialist or capitalist; the nomenclature is incidental. The real issue is how far government intrudes by telling people what they must do and how they must do it and, for any who succeed, by exacting penalties through taxes and regulation. Furthermore, those governments espousing a Marxist-cum-statist approach are not necessarily under the aegis of well-meaning idealists pursuing impractical theories. For example, President Nyerere of Tanzania proclaims socialism, but implementation is secondary to the psychological buttressing that socialism gives him as a ready-made formula for controlling and molding the "masses," while exalting the leader as history's midwife. Such a process allows persons in government to avoid actually thinking about such mundane matters as growing a better crop of peanuts and selling them at a profit.

The second point Bauer underlines is that wealth, large or small, has to be produced by one or more individuals joining their ideas and their labor with inanimate objects. Bauer debunks academic theorists, the media, "progressive" politicians, and churchmen who reject this notion. With the abnegation of this concept it is understandable, but not forgivable, that these individuals should be consumed by guilt: that the North should have so much while the South (today's collation substituting for specifics) should have so little. When analysis is undertaken with a sense of guilt, it is unlikely to reach anything but guilt-ridden and guilt-directed conclusions.

Bauer, however, free of guilt, can assert that "incomes, including those of the relatively prosperous or owners of property, are not taken from other people. Normally they are produced by their recipients and the resources they own; they are not misappropriated from others; they do not deprive other people of what they have had or might have had." To the guilt-ridden, such a statement is preposterous. Only "redistribution" can satisfy their personal trauma and, in their minds, expiate the "haves."

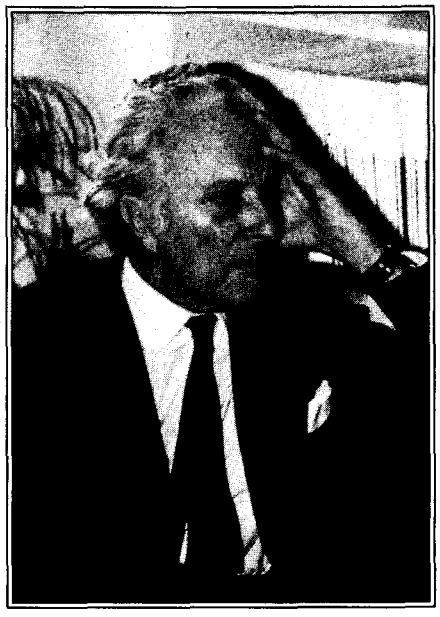
Bauer's third point, and his most important one, concerns the proper use of capital in the development process. Says Bauer, "Much of capital formation is not a precondition of material advance but its concomitant." He further asserts that "much public spending [in the Third World] routinely termed investment has nothing to do with capital formation." The critical factor is that capital per se is not the prerequisite but the accompaniment to the proper conceptual, material, and human construct that provides the opportunity for humans to create and enjoy greater wealth. Would that governments, banks, and corporations might understand!

President Reagan has just announced a large infusion of capital into the Caribbean Basin to "stabilize the region." If the appropriate constructs are not there, the opposite is just as likely to ensue and thus aid those forces the president hopes to thwart. The folly about which Bauer writes thus continues. He concludes, "The exposure of economics to political influences and to intellectual fashion is likely to ensure the persistence of its confused state, in which there will continue to flourish side by side genuine advances of knowledge, meretricious displays of technique, and crude lapses which acquire a life of their own."

Brian May's book is very different from Bauer's. It focuses on ancient attitudes and how these attitudes have shaped the present, if not the future. May claims that the Third World is stagnant. This alleged condition, he asserts, arises from an ingrained condition born of a mixture of intrinsic psychological, anthropological, and possibly biochemical components. The nature of this condition, May contends, cuts off its subjects from the rationality, inquisitiveness, and skills that have given the West the methodologies of economic growth.

In presenting this idea, May has amassed much supporting evidence, and he takes the reader on a fascinating exploration of many human riddles. His conclusion is gloomy: "The possibility of psychic differences between societies—perhaps of biochemical origin," presages disaster for the Third World in that they are, thus, inherently denied the capacity for economic growth. Further disaster lurks for all of us should various members of the Third World obtain a nuclear capability, May opines.

May makes other equally sweeping claims. Quoting a book by an Indian who labels India "a corrupt society," May remarks that this is "a description that may be applied without substantial error to the entire Third World, including the communist part of it."



P. T. Bauer

One has to pause before this generalization. Corruption is indeed widespread in the Third World. It is simply not true, however, that the charge may be applied universally to these countries. Nor is corruption unique to the Third World. Similarly, when we look at man-inspired disasters, as May does, we find that most of these belong to the West. We can point to the two world wars, Lenin's and Stalin's prescriptions that induced famine, liquidation, and the Gulag. Furthermore, Marxism, which has wracked so much of the Third World, is a European construct. Or we might remember Hitler's holocaust and the overarching European idea of a technologically based totalitarianism. And finally, to date the only nation to use nuclear weapons against other humans has been the planet's most economically advanced nation.

The main problem with May's book is, first, its time frame and, second, its ter-

minology, especially his tautological use of the phrase *Third World.* Regarding time, human societies have never moved economically at the same rate. They have always moved in echelon, not in a straight line. So it is now. Some societies are stagnating, some are in a state of decay and may collapse, and some are economically dynamic. We should also be careful of assuming that even this configuration is fixed: that time stops. Perhaps the single greatest characteristic of the Third World today is movement much of which is directly contrary to the stagnation May describes. It could be that it is the West that is stagnating, especially European Russia and its satellites, Western Europe, and the United States east of the Mississippi.

Persuaded by 37 years as a part-time resident of both East and Southeast Asia, I contend that the economic fulcrum of the planet has already decisively shifted. It once lay between the East Coast of the United States and the West Coast of Europe. Today, it lies between the sunbelt of the United States and Japan. More significantly, the fulcrum is moving perceptibly toward East Asia. Indeed, if a significant proportion of East Asia—notably, Siberia, China, and Vietnam—could rid itself of the ideas inherent in European Marxism, the world could witness an economic explosion that would dwarf the Japanese "miracle."

One must also question other contentions that May makes. As one who works daily with Thai peasants, I must note that it is simply not true that the peasant "conceives of himself...destined to be poor and engaged in a battle for survival...attributed by some Thais to Karma." Neither does this "ensure his docility." The Thai peasant is anything but that. If one can generalize at all, one sees among Thai peasants not docility, but energy, assertiveness, acquisitiveness, and a great deal of violence.

The problem with May's book is an old one, that of deriving the particular from the general. This is always difficult but never more so than in times of transition—toward both positive and negative ends. Such movement is more pertinent to the Third World than is stagnation. Within that enormous differential called the Third World, there are many actors who, in a relative sense, are burgeoning while the West itself may have begun the slide toward stagnation.

Ronald Nairn has worked in the Third World for many years and is the author of Wealth of Nations in Crisis.

A Cudgel for Cads and Quacks

Science: Good, Bad, and Bogus.
By Martin Gardner.
Buffalo, N.Y.: Prometheus Books.
1981. 450 pp. $18.95.

Reviewed by Gregory McNamee

Our forerunners on the American frontier knew from hard experience that the best thing to do with snake-oil salesmen, short of tar and feathers, was to unceremoniously run them out of town. The sensibility then prevailing was such that for a time there was hope of two-bit quackery's entering a richly deserved oblivion. Of course, nothing of the sort ever happened. And rather than reverting to commonsense form, the public has shelved the horsewhip and has been buying up modern snake-oil by the drum.

Martin Gardner, long the games columnist for *Scientific American*, an amateur magician, and an accomplished fraud-spotter, is vexed by this sorry state of affairs. Each of the 38 articles, essays, and book reviews collected in *Science: Good, Bad and Bogus* is a felicitous record of this vexation. While Gardner defines and identifies good science, that enquiry adhering to the rigorous standards of conceptual and methodological honesty, he vigorously savages rampant pseudoscience and its unctuous practitioners.

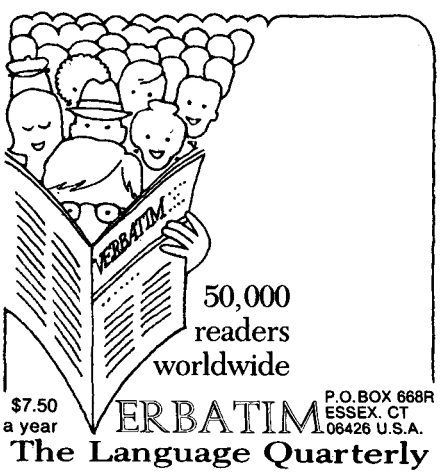
Gardner lights into the better known of them: Immanuel Velikovsky, who tried to verify the Old Testament account of the Great Flood and of Joshua's stopping the sun and moon with a bizarre theory that has a comet issuing from Jupiter and subsequently going on to reverse the earth's rotational spin; Wilhelm Reich, who claimed to have found the *primum mobile* in "orgone"; L. Ron Hubbard, the fugitive founder of "dianetics," a pop-psychology cult that raises wishful thinking to an art form; J. B. Rhine, a formerly respectable psychologist who became lost in a fog of parapsychology, spooks, and goblins; Uri Geller, the Israeli illusionist whose claim to being able to bend spoons by sheer will was more than aided by manual softening of the metal beforehand; Ruth Carter Stapleton, spiritual advisor to an administration best forgotten and miracle-worker of the snakepit-cum-laboratory set; and many another panderer of the irrational.

These are Gardner's bogus scientists. He also comments on the bad, those who start off well enough but then, in desperation to prove a pet theory, project or even falsify data. He gives as examples animal-language researchers who unconsciously signal responses to mimetic apes in tests and such scientists as the Viennese biologist Paul Kammerer, who so believed in the truth of his neo-Lamarckian theories on inherited traits that he surgically altered his subjects, midwife toads.

Gardner also gives us the good scientists—the Einsteins, Bohrs, Salks, and Curies; but in this collection, they merely serve as a tuning-fork against which to test the bad and false, who, he writes, are daily gaining ground through the twin forces of occultism and religious fundamentalism. Both feed on the irrationalism that is evident everywhere, from the relatively innocuous daily horoscope to the delphic mumblings of TV gurus and Bible thumpers. The nation, Gardner writes, even "elected a man who holds Protestant fundamentalist opinions and believes in astrology and ESP," a president who embraced creationist doctrine while scorning legitimate science.

Lest we feel a lack of parity in the irrationality race, Gardner consoles us with the spectacle of Soviet psychic research, which seems more than anything else to be centered on Georgian excons who are having a bit of fun at the motherland's expense, and that fair society's incredible dictum that Einstein's theory of relativity is a "reactionary, antiscientific distortion of the truth." These inanities on both sides of the Iron Curtain may be good for a laugh, but they are firm indicators of a climate of voodoo that bodes ill for genuine scientific and technological ventures.

Throughout *Science*, Gardner points out that while not one claim of pseudoscience has ever been independently con-



firmed by empirically verifiable data received under controlled conditions, the genuine scientific community has been strangely hesitant to contest the irrationality-mongers and indeed seems almost to have given in to them. The American Association for the Advancement of Science now has a parapsychology section with full voting powers, and several major universities award doctorates in psychic research—one assumes that a successful seance takes the place of the dissertation. Organized science has always been dependent on revolutionary crackpots for its growth and vitality, but these have held in common a respect for ethical enquiry and scientific method. In this regard the inexplicable silence on the part of the scientific community is truly deafening.

In attacking sham science and its practitioners, Gardner is careful to avoid petty *ad hominem* tactics, settling on the disease itself rather than its carriers. He appends to many of the pieces in *Science* letters of response from his objects of negative scrutiny—a tribute to balance and fairness. Gardner's vigorous, gentlemanly, and well-written declaration of war on quacks, charlatans, and latter-day snake-oil salesmen makes for provocative reading.

Gregory McNamee is an editor at the University of Arizona Press.

Why—and How—Women Should Be Free

The Sceptical Feminist: A Philosophical Enquiry.
By Janet Radcliffe Richards.
Boston: Routledge & Kegan Paul.
1980. 306 pp. $21.50.

Reviewed by Christopher W. Morris

Classical liberalism signifies maximum liberty and individual choice for all. Historically, the doctrine was largely responsible for the demise of traditional patriarchal justifications for the rights of (male) rulers, according to which monarchs possessed the rights and privileges of fathers and derived these from Adam.

Classical liberalism also opposes "paternalism," or interference with an individual's liberty for his or her own good (drug laws, mandatory motorcycle helmets, protective laws for women, etc.). Many classical liberals—though by no means most—followed the logic of their doctrine and became feminists. Why then, while we are experiencing a revival of classical liberalism, isn't the fight for women's liberty from unjust laws and restrictive attitudes one of the important priorities of classical liberals today?

John Stuart Mill and Harriet Taylor long ago argued against restrictive social attitudes that enslaved women as effectively as chains. But a look at the chains will show that the restrictions on laborers and entrepreneurs that shackle individual enterprise today as effectively as similar rules and regulations in the time of Adam Smith are minor compared to those imposed then and (to a somewhat lesser degree) today on women. Why aren't classical liberals up in arms and *leading* the fight for the rights of women?

It is not surprising that classical liberals are not moved to action by feminist calls to the barricades when some feminists claim the right to ban prostitution and *Playboy* magazine, argue that the state ought to provide day-care and abortion services on demand (for "free"), and blame the oppression of women (and most other woes) on "capitalism." But this should be no more of an excuse for sitting on the sidelines than was the prevalence of authoritarian socialists in the fight against US intervention in Vietnam or in the struggle for racial justice in the '50s and '60s.

The Sceptical Feminist by British philosopher Janet Radcliffe Richards should remedy this situation. Eschewing speculative argument and dubious theory characteristic of many liberation movements, Richards develops a simple and powerful case for radical change in our societies' rules and attitudes governing women and their traditional roles. Her book is contemporary philosophy at its best. She examines carefully the various issues raised by feminist critiques of contemporary and traditional society, analyzes these in detail, and sorts out good argument from bad. Throughout, her appeal is to *arguments,* and antifeminists courageous enough to pick up the book will not be able to dismiss it as "emotional" or "hysterical."

Richards is critical not only of traditional sexism but also, as the title indicates, of much contemporary feminism. She rejects the view that feminism should "take the woman's side in everything." Instead, she defends the position that feminism seeks to combat the systematic injustice that women suffer because of their sex. "Feminism," Richards argues, "is not concerned with *a group of people it wants to benefit,* but with *a type of injustice it wants to eliminate.*" Feminists do not necessarily make up yet another pressure group, fighting simply for the (insatiable) interests of its members. This point is important, and true, as it shows how the appeal of feminist claims is ultimately for *justice.*

In one of the best discussions of the issue that I have ever read, Richards argues that the matter of the "nature" of men and women does not and will not shed much light on what men and women *should* be or do. Not only does the nature of a thing not entail what that thing *ought* to be, but traditional sex roles simply cannot be justified by traditional beliefs about the "nature" of women.

Discussing a wide variety of issues, Richards argues against state subsidization of day care and of motherhood, criticizes the common feminist view that prostitution is inherently degrading, and challenges the idea that feminists should be opposed to adornment and beauty in women (or in men, for that matter).

This book will undoubtedly be strongly criticized by many feminists. But the author's challenge of many tenets of contemporary feminism and the "skepticism" in her title should not mislead readers. To be sure, Richards is skeptical about much of feminist theory. But she is not a "skeptical feminist" in the sense of one reluctant to accept a feminist—a radical feminist—position. Rather, her skepticism is a philosophical *approach* to feminism (and antifeminism), much in the tradition of British philosophy. Her approach is cautious, systematic, and argumentative. As a consequence, her book is extremely powerful and ought to silence the intrepid antifeminists of contemporary conservative politics.

The skepticism is misleading, however, if readers of the title and dustjacket come to view the book merely as a refutation of the dubious claims and theories of contemporary feminism. For *The Sceptical Feminist* is a radical work. Indeed, if readers are convinced of her conclusions—and it is hard to see how in general they could fail to be—they will be committed to undoing all "selection discrimination" against women (the systematic exclusion of women from positions because of their sex) as well as all structural unfairness in the social system that favors men at the expense of women. Her analyses and arguments, especially those concerning "reverse

discrimination," are complex and subtle.

Classical liberals (and others) will not be able to dissent from her conclusions, I think, even if she uses John Rawls's controversial "difference principle" of justice to generate her conclusions. Rawls's principle is *not* radically egalitarian (in spite of having been interpreted thus by many classical liberals and conservatives), and Richards recognizes from the outset that justice "*does not entail equality on average between men and women.*" It will not be enough to show that "women are at a *disadvantage* to men," for that, she claims, "is not enough to prove that women are unfairly treated." Some people might be tempted to stop at this point, confident that feminist claims of injustice have been rebutted by these remarks about justice. But this is a mistake, for there is a case to be made that the position of women in our societies is the result of gross and systematic injustice even if one does not argue *simply* that "there is inequality between the sexes, therefore the situation is unjust."

The Sceptical Feminist should be of interest not only to feminists and political philosophers but to all defenders of liberty. Classical liberals especially cannot much longer remain indifferent to the claims of feminism. Janet Radcliffe Richards's exciting book should suffice to persuade the defenders of liberty to rally to the cause of feminism.

Christopher Morris is a philosophy professor at the University of Ottawa, Canada.

Agriculture's Pest Is Politics

The Governing of Agriculture.
By Bruce L. Gardner.
Lawrence, Kansas: Regents Press.
1981. 176 pp. $17.50/$9.50.

Reviewed by B. Delworth Gardner

The Governing of Agriculture by Prof. Bruce L. Gardner (not a relative of mine, unfortunately for me) is an extremely important book for all who understand and value liberty. It presents a convincing case for letting free markets allocate resources in agriculture. Its short length is at once one of its principal merits and perhaps its only shortcoming. On almost every page, the thoroughly absorbed reader will hanker for more discussion and more evidence in support of the arguments advanced; but by the same token, the small investment in time needed to read the entire work ought to make the book attractive to those who place a high value on time.

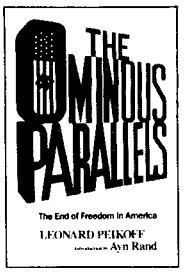
To the uninitiated, American agriculture is quite an anomaly. It is often regarded as the most competitive of all economic sectors, and yet it is one of the most regulated and controlled by the government. These are not necessarily incompatible notions, however, as Gardner shows. Agriculture is competitive in the sense that it consists of many hundreds of thousands of decisionmaking firms that are relatively free to enter and exit the industry and individually are unable to influence the market prices of their inputs and outputs. But it is also true that practically all decisions made by the farmer are affected by the thousands of governmental policies and regulations lurking everywhere. Gardner's book enables the reader to see the big picture, to understand why policies and regulations were imposed, and especially to see that in the aggregate these policies and regulations have diminished the per capita income of the average American family.

The primary thrust of the book is revealed by a couple of brief quotations from the first chapter:

US agriculture is today in the process of becoming a regulated industry. The types of regulation include governmental involvement in the pricing of farm products, regulation of farm output and techniques of production, direct governmental provision of services (land and water development; research and extension; storage of products), and regulation of the content, grading, and labeling of food products.

Over and over again, governmental action with regard to agriculture has been undertaken out of dissatisfaction with prevailing market prices. And over and over again, these actions have come to grief because it has been found that the attempt to establish different prices has created either surpluses or shortages.

Why is it that agriculture is so tightly regulated by such a variety of policies? Many of them, such as price- and income-support programs, were initially understandable because per capita farm income was far below that in the nonfarm sector. Gardner believes the current income situation does not warrant income transfers, however. Adjustments in farm size, capital infusions into agriculture, efficiency-inducing technological advances, and especially a diminution of



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labor use in agriculture have made returns to labor and capital virtually equal with the nonfarm sector.

Gardner deftly disposes of other rationales for regulation as well, including: the theory that unregulated markets for farm products cannot cope adequately with instability, the theory that agriculture has other special characteristics that unregulated markets cannot properly handle, the theory that farmers cannot obtain fair returns in an unregulated marketplace, the theory that governmental intervention is necessary to countervail the actions taken by other governments, and the theory of the threat by large-scale mechanized farming. If anything, in an attempt to be fair, Gardner allocates more than adequate space to describing the case for these theories. But then, with a judicious blend of economic logic and empirical evidence, he demolishes the arguments one by one. He shows that either government intervention has been largely ineffective in reaching the goals sought or private institutions (for example, private-sector stockpiling, insurance schemes, futures markets, and commodity "put" options to combat price and yield risk and instability) would be much more efficient in solving the problems that exist.

The chapter on the "public interest in agriculture policy" is especially powerful and revealing. Gardner shows, admittedly roughly, how the commodity programs in wheat, feed grains, rice, cotton, tobacco, sugar, milk, etc., transfer wealth among producers (landowners, principally), consumers, and taxpayers. In general, producers (landowners) gain at the expense of consumers and taxpayers. More importantly, the gainers gain less than the losers lose, resulting in a net social loss that amounts to between $2 and $6 billion annually. Gardner gives us a most compelling argument that unregulated markets, buttressed by services that would be offered by the private sector if the government were out of the picture, would be far more effective in promoting the public interest than the hotchpotch of public policies currently governing agriculture.

The book is thoughtful, methodologically innovative, and thoroughly convincing. It should be widely read. Its message may become increasingly influential as current policies become ever more costly to consumers and taxpayers and as we attempt to extricate ourselves from the morass of agricultural policies that have become so onerous to producers, as well.

Delworth Gardner is a professor at the University of California, Davis, in the Department of Agricultural Economics.

HEALTH & WELFARE

(Continued from p. 54)

via the Krebs cycle, and also for the manufacture of acetylcholine. B-5 should be taken with choline, lecithin, and, possibly, Deaner®. In one experiment, rats were provided with diets either deficient, adequate, or high in calcium pantothenate. They were then swum to exhaustion in 18 degrees C (64 degrees F) water. Swimming times were:

deficient	16 +- 3 minutes
adequate	29 +- 4 minutes
high	62 +- 12 minutes

Human experiments with cold-water stress are in agreement with these findings.

A reasonable dose of calcium pantothenate (the most stable form of vitamin B-5) is 1-2 grams a day for a healthy adult. Start at a low dose and work up to the 1-2 grams over a period of a few days or so. Vitamin B-5 is a peristaltic stimulant and can be used as a very effective nonirritating laxative.

We have not yet mentioned the classical steroid sex hormones such as the androgens and estrogens. We have written quite a bit on this topic, including instructions for minimal-risk postmenopausal hormone replacement therapy, in our just-published book, *Life Extension: a Practical Scientific Approach.*

A list of scientific literature on this topic is available through REASON. Send a stamped, self-addressed envelope and ask for H&W references, July.
Durk Pearson and Sandy Shaw are consulting scientists and authors.

LETTERS

(Continued from p. 13)

readers will miss the crucial points about her book. *The Other Side of Racism* is a powerful scholarly, moral, and political analysis and indictment of all forms of black racism, quotaism, reversism—and all other attempts to reduce black individuals to racial categories. Anne shows the many different ways in which these attempts violate the basic constitutional rights of all Americans and threaten to rob blacks of the right to gain real self-esteem. And she does this by systematically analyzing the basic dimensions (the "fundamentum divisionis") of concrete political programs and leaders, not by imposing some ad hoc sociologistic typology on our vastly multichromatic society. And she does this with all the forcefulness, truthfulness, and beauty that spring from her own experience.

I feel sure that Bill will agree with me that this is a major work deserving a careful reading by everyone dedicated to individual rights—but, good heavens, Bill, I just wish you'd said so!

Jack D. Douglas
La Jolla, CA

Who's Missing the Mark?

Eric Zuesse's letter in the March REASON received unjustifiably short shrift by the editor-in-chief. First, given Mr. Poole's endorsement of pinpoint-accurate missiles, the defensive weapons called for must be seen primarily as protection for this first-strike capability. "Defensive" weapons can be purely defensive only in the absence of offensive capability.

Second, it is Mr. Poole's "reload" thesis that is specious. Given the US government's long-standing first-strike approach to nuclear warfare, how can anyone believe that the ICBMs are intended to hit *only* empty silos? Why should the Soviets believe that? Considering that reloading requires the slow trucking of missiles from storage sites (where they could also be fired) to used silos, who really believes that this is going to be a factor during a nuclear war?

Finally, Mr. Poole closes his response with this contradiction: he says the United States is "not trustable with absolute power"; I maintain that if one really believes that, one would not trust the US government—or any other—with nuclear bombs.

Sheldon Richman
Washington, DC

Mr. Poole replies: Mr. Richman is well aware that the US government has long maintained a first-nuclear-use capability as a consequence of its NATO treaty obligation to defend Europe (an obligation, incidentally, that REASON is on record as opposing). Given the large superiority of Warsaw Pact conventional forces, it has long been recognized that the only credible defensive response by NATO to an all-out Warsaw Pact invasion of Europe by conventional forces would be nuclear retaliation. Thus, given *existing* US treaty commitments, there is a very real defensive (that is, retaliatory) use for pinpoint-accuracy ICBMs—to strike Soviet missile silos, command-and-control centers, etc. Any reasonable transition to European self-defense would require a period of years during which the US treaty obligation would re-

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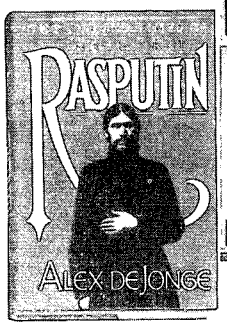

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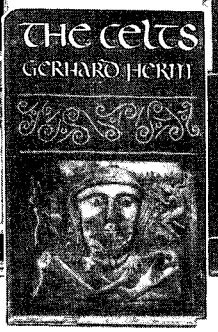

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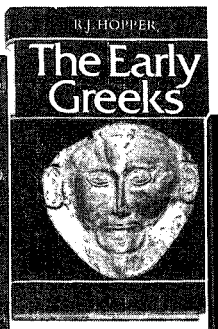

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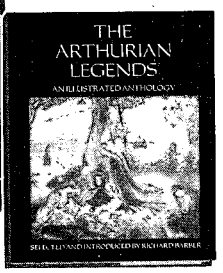

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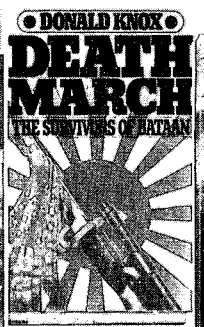

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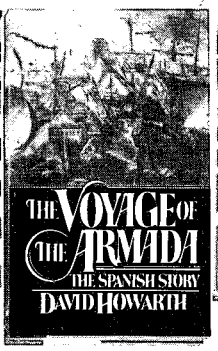

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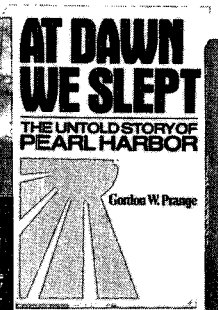

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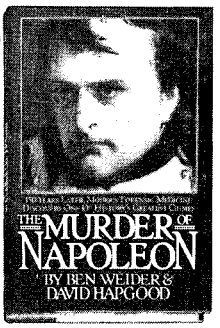

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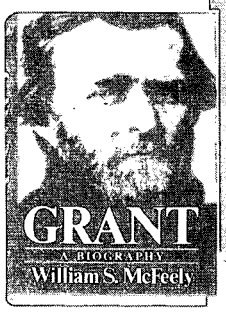

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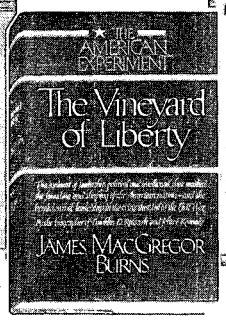

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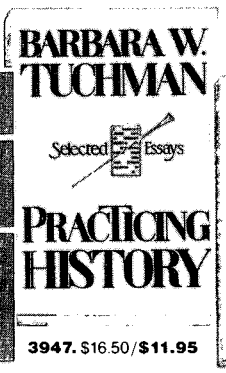

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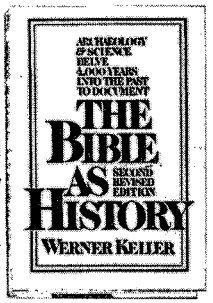

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main in force. During that period, the protection of US ICBMs would remain important.

Mr. Richman's second point, about silo reloading, seems to presume a single nuclear war scenario—an all-out exchange that is over in an hour or two. Yet any number of other scenarios is plausible, some lasting as long as several weeks. In most of these other scenarios, the ability to hit empty silos before they were reloaded could be crucial.

Finally, Richman says that the US government is not trustable with nuclear bombs. If that is literally true, then the only alternative is for the United States to abandon all nuclear weapons unilaterally. Mr. Richman has advocated just such a course in other forums. As for me, I would rather take my chances with a nuclear-armed US government than risk living under a Soviet government, which is a likely outcome of unilateral US disarmament.

Monochrome Money

Nowhere in Ray Young's article on the Anthony dollar ("The Mint Strikes Out," Apr.) was it mentioned that, alone among all the countries that I know of, the United States prints all its money the same color. As a consequence, in the aggregate a great deal of money must be lost due to mistaking the denominations of bills. Also, of course, it's much easier to raise the denomination of a bill if you want to do some counterfeiting.

The whole thing seems awfully stupid, even for the US government, which has given us those M-16 rifles and M-1 tanks ("Fighting with Failures," Apr.). Perhaps we should let the Japs design and build our armaments.

Richard L. Lotreck
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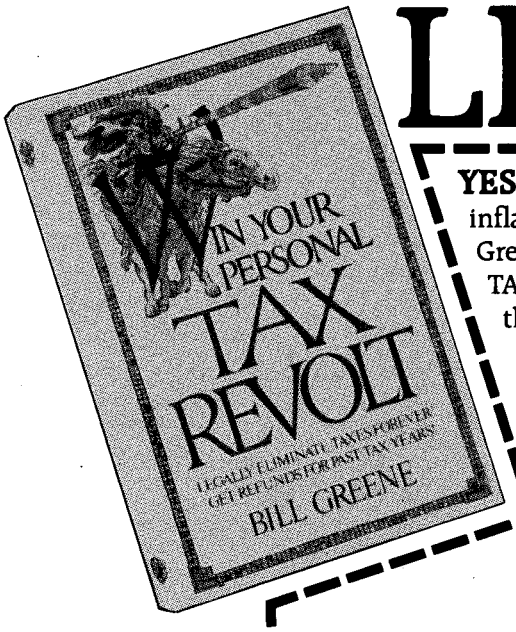

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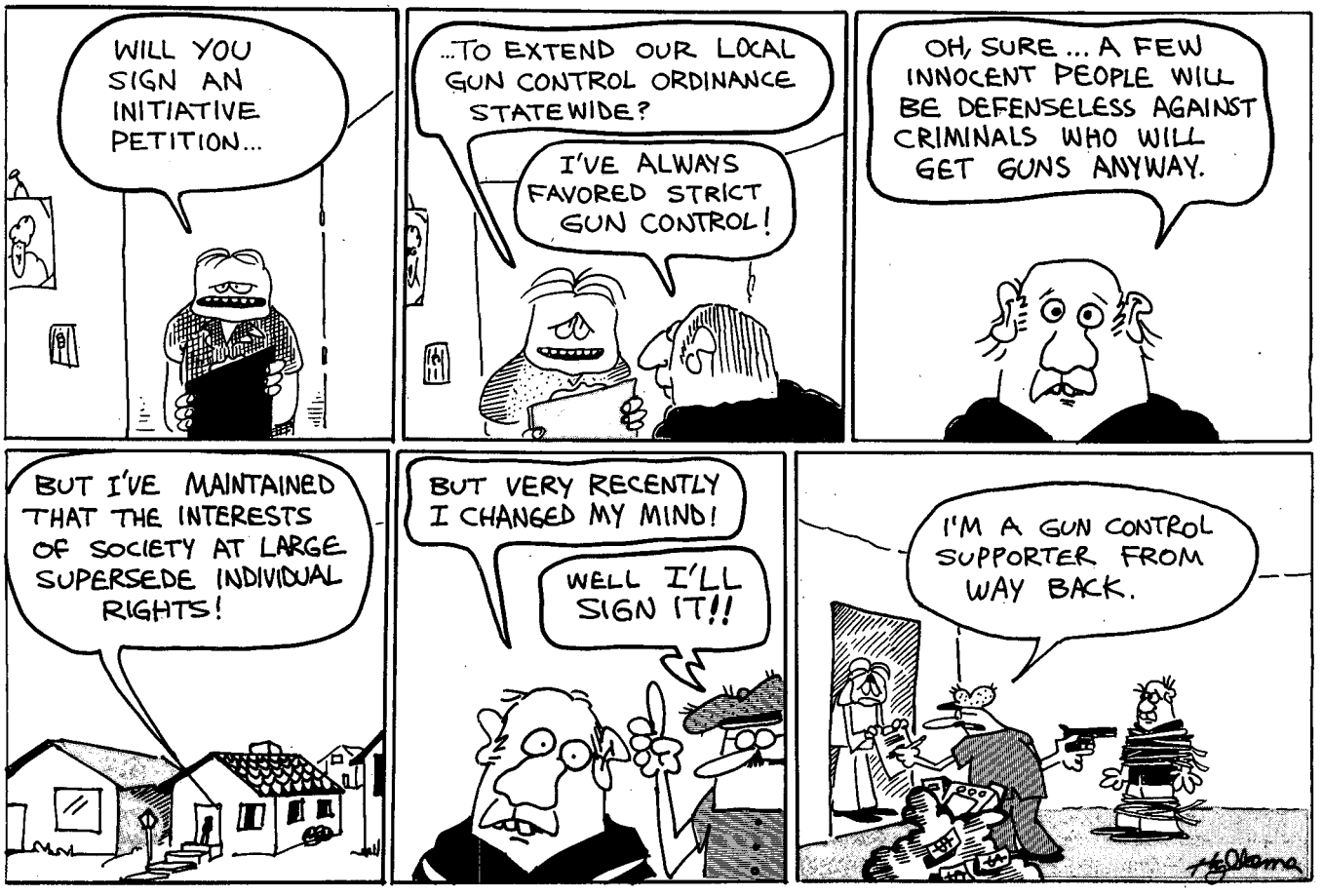
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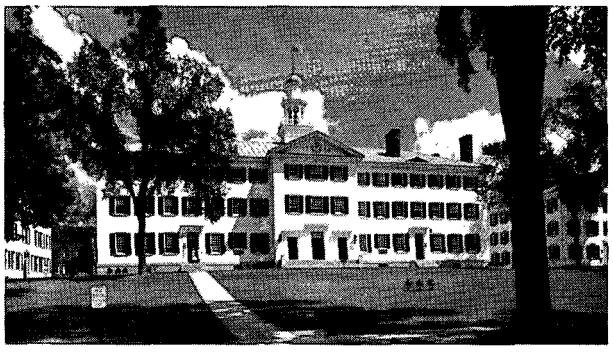

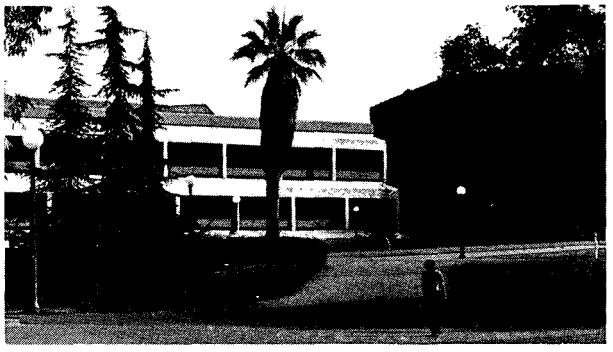

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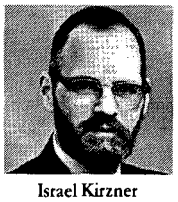

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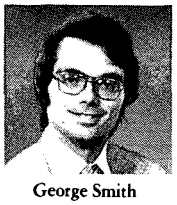

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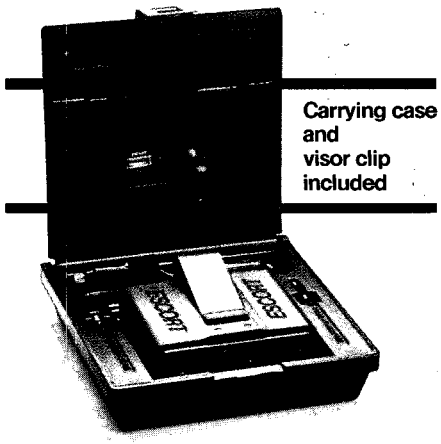

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